NEW ISSUE - BOOK ENTRY ONLY

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law, (i) assuming compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal and school district income taxes in Ohio. Interest on the Bonds may be subject to certain federal taxes imposed only on certain corporations, including the corporate alternative minimum tax on a portion of that interest. For a more complete discussion of the tax aspects, see "Tax Matters" herein.

$82,490,000
STATE OF OHIO HIGHER EDUCATIONAL FACILITY REVENUE BONDS (CASE WESTERN RESERVE UNIVERSITY 2006 PROJECT)

Dated: Date of Issuance **Due:** As shown on inside cover

The $82,490,000 State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 2006 Project) (the "Bonds"), when, as and if issued, will be special obligations of the State of Ohio issued by the Ohio Higher Educational Facility Commission (the "Commission") pursuant to a Trust Agreement, dated as of December 1, 2006 (the "Trust Agreement"), between the Commission and The Bank of New York Trust Company, N.A. (the "Trustee"). The Bonds are issued to refund all or portions of certain outstanding State of Ohio Higher Education Facility Revenue Bonds, as described herein. The Bonds will be payable from the revenue and other money pledged by the Trust Agreement, which include the payments required to be made by Case Western Reserve University ("CWRU") under a certain Lease between the Commission and CWRU.

CASE

CASE WESTERN RESERVE UNIVERSITY

The Bonds are issuable as registered bonds without coupons and initially will be registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. The Bonds will be issuable only under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants or Indirect Participants, and purchasers of the Bonds will not receive physical delivery of bond certificates. Principal of and premium, if any, on the Bonds will be payable to the registered owner upon presentation and surrender at the designated corporate trust office of the Trustee in Cleveland, Ohio, and interest will be transmitted by the Trustee on each interest payment date (June 1 and December 1 of each year commencing December 1, 2007) to the registered owner as of the 15th day of the calendar month preceding that interest payment date, all as more fully described herein.

The Bonds are subject to optional and mandatory redemption prior to maturity, as described herein.

The Bonds do not represent or constitute a debt or pledge of the faith and credit of the Commission or the State of Ohio and will not be secured by an obligation or pledge of any money raised by taxation, and do not grant to the Holders any rights to have the State levy any taxes or appropriate funds for the payment of the principal of or interest on the Bonds.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (the "Bond Insurer" or "MBIA") simultaneously with the delivery of the Bonds.

The Bonds are offered when, as and if issued by the Commission and accepted by Morgan Stanley & Co. Incorporated, as representative for itself and the underwriters listed below (collectively, the "Underwriters"), subject to the receipt of the approving legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. Certain legal matters will be passed upon for CWRU by Jeanine Arden Ornt, Esq., its Vice President and General Counsel, and for the Underwriters by their counsel, Thompson Hine LLP. Public Financial Management, Inc. has served as financial advisor to CWRU. It is expected that the Bonds will be available for delivery through DTC on or about December 21, 2006.

MORGAN STANLEY **NATCITY INVESTMENTS, INC.**

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

December 6, 2006

PRINCIPAL MATURITY SCHEDULE

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	CUSIP*
2012	$ 1,290,000	3.750%	3.510%	67756BSL5
2013	1,340,000	3.750	3.540	67756BSM3
2014	1,530,000	4.000	3.540	67756BSN1
2015	1,595,000	4.000	3.610	67756BSP6
2016	1,670,000	4.000	3.650	67756BSQ4
2017	1,735,000	4.000	3.690	67756BSR2
2018	185,000	4.000	3.730	67756BSS0
2019	6,150,000	5.250	3.820	67756BST8
2020	5,225,000	5.250	3.850	67756BSU5
2021	10,910,000	5.250	3.880	67756BSV3
2022	11,215,000	5.250	3.900	67756BSW1
2025	3,320,000	5.250	3.960	67756BSX9
2026	3,520,000	5.250	3.980	67756BSY7

$5,335,000 4.500% Term Bond due December 1, 2036 – Price 101.198% - CUSIP: 67756BSZ4

$27,470,000 5.000% Term Bond due December 1, 2044 - Price 107.202% - CUSIP: 67756BTA8

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In connection with this offering, the Underwriters may overallot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds are exempt from registration under the Securities Act of 1933 and from registration under the securities laws of the State of Ohio. No dealer, broker, salesman or other person has been authorized by the Commission, CWRU or the Underwriters to give any information or to make any representations with respect to the Bonds, other than those contained in this Offering Circular, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Commission, CWRU or the Underwriters. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state, possession or territory, in which it is unlawful for such person to make such offer, solicitation or sale. The information contained herein has been obtained from the Commission (with respect to the Commission), CWRU, DTC and other sources that 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 Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Circular 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 or any related parties since the date hereof. This Offering Circular is not to be construed as an agreement or contract with the Commission. Capitalized terms used in this Offering Circular and not otherwise defined have the meanings set forth in "CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT, THE LEASE AND THE TAX AGREEMENT" in APPENDIX C. All quotations from summaries and explanations of provisions of law and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

This Offering Circular has been prepared in connection with the original offering for sale of the Bonds.

$82,490,000
STATE OF OHIO
HIGHER EDUCATIONAL FACILITY REVENUE BONDS
(CASE WESTERN RESERVE UNIVERSITY 2006 PROJECT)

INTRODUCTION

This Offering Circular, including the cover page, the table of contents and the Appendices, is provided to furnish information in connection with the issuance by the Ohio Higher Educational Facility Commission (the "Commission") of $82,490,000 State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 2006 Project) (the "Bonds"). The Bonds are being issued pursuant to a Trust Agreement, dated as of December 1, 2006 (the "Trust Agreement"), between the Commission and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Bonds will be issued for the purpose of refunding all or portions of certain outstanding State of Ohio Higher Education Facility Revenue Bonds, including any or all of the following: (i) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Refunding Bonds (Case Western Reserve University Project 1997 Series A) (the "Refunded 1997 Series A Bonds"), (ii) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University Project 1997 Series C) (the "Refunded 1997 Series C Bonds"), (iii) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University 2002 Project), Series B (the "Refunded 2002 Series B Bonds") and (iii) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University 2004 Project), Series A (the "Refunded 2004 Series A Bonds"); together with paying the costs of issuance of the Bonds and for such other uses as are permitted under the Lease (as defined below) and Chapter 3377 of the Ohio Revised Code (the "Act").

The Bonds will be dated their date of issuance and mature as set forth on the inside cover page. The Bonds will be subject to redemption prior to maturity as described herein under "THE BONDS – Description of the Bonds – Redemption".

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 1997 Series A Bonds and will be deposited in an escrow fund (the "1997 A Escrow Fund") established under an Escrow Agreement (the "1997 A Escrow Agreement"), dated as of December 1, 2006, among the Commission, Case Western Reserve University ("CWRU") and The Bank of New York, N.A., as escrow agent, to provide for the redemption of the Refunded 1997 Series A Bonds. The Refunded 1997 Series A Bonds were originally issued pursuant to a Trust Indenture, dated as of July 15, 1997 (the "1997 Series A Indenture"), to refund a portion of the then outstanding State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University Project) Series A and B dated October 1 and October 5, 1988, which were originally issued to fund certain educational facilities (the "1988 Project") for CWRU and for such other uses and purposes as are permitted by the Act and the Lease, dated as of October 1, 1998, as supplemented by a Supplemental Lease dated as of July 15, 1990 and a Second Supplemental Lease dated as of February 15, 1994 and a Third Supplemental Lease dated as of July 15, 1997, each between the Commission and CWRU (collectively, the "1997 Series A Lease").

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 1997 Series C Bonds and will be deposited in an escrow fund (the "1997 C Escrow Fund") established under an Escrow Agreement (the "1997 C Escrow Agreement"), dated as of December 1, 2006, among the Commission, CWRU and The Bank of New York, N.A., as escrow agent, to provide for the redemption of the Refunded 1997 Series C Bonds. The Refunded 1997 Series C Bonds were originally issued pursuant to a Trust Indenture, dated as of September 1, 1997 (the "1997 Series C Indenture"), to fund certain educational facilities for CWRU and for such other uses and purposes as are permitted by the Act and the Lease dated as of September 1, 1997 (the "1997 Series C Lease") between the Commission and CWRU (the "1997 Project").

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 2002 Series B Bonds and will be deposited in an escrow fund (the "2002 B Escrow Fund") established under an Escrow Agreement (the "2002 B Escrow Agreement"), dated as of December 1, among the Commission, CWRU and The Bank of New York, N.A., as escrow agent, to provide for the redemption of the Refunded 2002 Series B Bonds. The Refunded 2002 Series B Bonds were originally issued pursuant to a Trust Agreement relating to the Refunded 2002 Series B Bonds, dated as of May 15, 2002 (the "2002 Series B Trust Agreement"), to fund certain educational facilities for CWRU and for such other uses and purposes as are permitted by the Act and the Lease relating to the Refunded 2002 Series B Bonds dated as of May 15, 2002 (the "2002 Lease") between the Commission and CWRU (the "2002 Project").

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 2004 Series A Bonds and will be deposited in an escrow fund (the "2004 A Escrow Fund") established under an Escrow Agreement (the "2004 A Escrow Agreement"), dated as of December 1, 2006, among the Commission, CWRU and The Bank of New York, N.A., as escrow agent, to provide for the redemption of the Refunded 2004 Series A Bonds. The Refunded 2004 Series A Bonds were originally issued pursuant to a Trust Agreement relating to the Refunded 2004 Series A Bonds, dated as of March 1, 2004 (the "2004 Series A Trust Agreement"), to fund certain educational facilities for CWRU and for such other uses and purposes as are permitted by the Act and the Lease relating to the Refunded 2004 Series A Bonds, dated as of March 1, 2004 (the "2004 Lease") between the Commission and CWRU (the "2004 Project" and together with the 1988 Project, the 1997 Project and the 2002 Project, the "Projects").

The Projects include the acquisition, construction, renovation, equipping, furnishing, and improvement of educational facilities including classroom, meeting, research, laboratory, medical, athletic, recreational and health, student housing, parking, office and administrative and other related facilities, together with related equipment, furnishings, appurtenances and site improvements, and the acquisition of real property in connection with those facilities, as described in the Lease. All of the educational facilities constituting the Projects are located on the campus of CWRU in Cleveland, Ohio. The Projects will be leased by CWRU to the Commission under the Base Lease, dated as of December 1, 2006 relating to the Bonds (the "Base Lease"). The Projects will be leased by the Commission to CWRU pursuant to the Lease, dated as of December 1, 2006, between the Commission and CWRU relating to the Bonds (the "Lease"). CWRU is required by the Lease to make payments equal to the principal of and premium, if any, and interest on the Bonds, whether at maturity, upon acceleration or upon redemption (the "Bond Service Charges"). Bond Service Charges on the Bonds will be required to be made by CWRU as rental payments (the "Rental Payments") under the Lease. In the Lease, CWRU has agreed to purchase the Commission's interest in the Project after all of the Bond Service Charges have been paid.

The Bonds are special obligations of the State of Ohio (the "State") and the Bond Service Charges on the Bonds will be payable from revenues to be derived by the Commission from its ownership of the Projects, including the Rental Payments with respect to the Bonds and certain other amounts, all as provided in the Lease and the Trust Agreement and as hereinafter described under "SECURITY AND SOURCES OF PAYMENT."

The Bonds are secured by the Trust Agreement, which grants to the Trustee a security interest in the Revenues as described herein under "SECURITY AND SOURCES OF PAYMENT." The Bonds are further secured by the Guaranty Agreement, dated as of December 1, 2006, between CWRU and the Trustee relating to the Bonds (the "Guaranty") by which CWRU unconditionally guarantees the payment of the Bond Service Charges on the Bonds as described herein under "THE GUARANTY."

Payment of the principal and of interest on the Bonds when due will be insured by a financial guaranty insurance policy (the "Bond Insurance Policy") to be issued by MBIA Insurance Corporation (the "Bond Insurer") simultaneously with the delivery of the Bonds. See "**BOND INSURANCE**."

Brief descriptions of the Commission, CWRU, the Projects, the Bonds, the Lease, the Trust Agreement, the Escrow Agreements, the Guaranty and the Tax Agreement are included in this Offering Circular. The descriptions herein of the Bonds, the Lease, the Trust Agreement, the Escrow Agreements, the Guaranty and the Tax Agreement are qualified in their entirety by reference to each such document. The description of CWRU consists of certain information and data provided by it (as set forth in Appendix A) and certain of its audited consolidated financial statements (as set forth in Appendix B). All descriptions are further qualified in their entirety by reference to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of the above described documents are available for inspection during the initial offering period at the principal office of Morgan Stanley & Co. Incorporated, 1221 Avenue of the Americas, 30th Floor, New York, New York 10020 and thereafter at the corporate trust office of the Trustee.

THE COMMISSION

The Commission is a body both corporate and politic, constituting an agency or instrumentality of the State. It was created in 1968 by, and exists under, the Act. The Commission was established to enhance educational opportunities for the people of the State and to alleviate the pressing demands upon tax-supported colleges and universities by enhancing the availability, efficiency and economy of educational facilities for private colleges and universities by facilitating or achieving lower costs for the financing or refinancing of such educational facilities.

The Commission is authorized, among other things, to issue revenue bonds of the State to provide funds for acquiring, constructing, equipping and furnishing educational facilities that are leased to private colleges or universities. Each issue of bonds by the Commission is secured by a pledge and assignment of the payments received by the Commission pursuant to the lease of the applicable educational facilities and may be secured by a mortgage on such facilities. In the lease, the college or university has the option to purchase the facilities prior to the termination of the lease and the college or university agrees to purchase the facilities at the lease termination, in each case after provision has been made for the retirement or redemption of all the bonds issued for such facilities. The Commission does not make any grants and has access to capital improvement funds only through the issuance of revenue bonds.

The Commission may lease projects to private, nonprofit institutions of higher education that hold effective certificates of authorization issued by the Ohio Board of Regents, but not to institutions whose principal educational activity is preparing students for religious or ecclesiastical fields. The Commission may acquire and lease any facility that is academic, administrative or auxiliary thereto, other than facilities used solely for devotional activities.

The Commission consists of nine members, including the Chancellor of the Ohio Board of Regents, or his designee, as an *ex officio* member. The other eight members are appointed to overlapping eight-year terms by the Governor with the advice and consent of the State Senate. The Chairman is designated by the Governor, and the other officers, including the Vice Chairman, the Secretary and the Deputy Secretary, are elected by the members from their own number.

The members of the Commission receive no compensation for their services but are entitled to reimbursement for their actual and necessary expenses. The Commission's offices are located in Columbus, Ohio. The Commission does not have any employees. The Ohio Board of Regents provides staffing assistance to the Commission when necessary.

CASE WESTERN RESERVE UNIVERSITY

CWRU, an Ohio nonprofit corporation, is the largest independent research university in Ohio, providing undergraduate, graduate and professional programs in health (including medicine, nursing and dentistry), engineering, the arts and sciences, law, management and social work.

See APPENDIX A – "CASE WESTERN RESERVE UNIVERSITY" for a more complete description of CWRU.

PLAN OF REFUNDING AND USE OF PROCEEDS

The Bonds will be issued for the purpose of refunding all or portions of certain outstanding State of Ohio Higher Education Facility Revenue Bonds, including any or all of the following: (i) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University Project 1997 Series A), (ii) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University Project 1997 Series C), (iii) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University 2002 Project), Series B, and (iii) certain of the outstanding principal amount of State of Ohio Higher Education Facility Revenue Bonds (Case Western Reserve University 2004 Project), Series A; together with the costs of issuance of the Bonds and for such other uses as are permitted under the Lease and the Act.

The following are the estimated sources and uses of funds to be derived from the sale of the Bonds as provided by CWRU.

Sources of Funds

Par Amount	$82,490,000.00
Net Premium	8,593,059.75
Total	$91,083,059.75

Uses of Funds

Deposit to the 1997 A Escrow Fund	$ 7,631,258.90
Deposit to the 1997 C Escrow Fund	15,667,072.76
Deposit to the 2002 B Escrow Fund	38,042,212.50
Deposit to the 2004 A Escrow Fund	28,147,767.28
Payment of Costs of Issuance[(1)]	1,594,748.31
Total	$91,083,059.75

(1) Includes Underwriters' discount, bond insurance premium, legal fees, trustee fees, printing and other costs of issuance.

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 1997 Series A Bonds and will be deposited in the 1997 A Escrow Fund. The funds deposited in the 1997 A Escrow Fund shall be (a) held in cash to the extent not needed to make the investments in United States Government obligations described in (b), and (b) invested in United States Government obligations that mature or are subject to redemption, in amounts sufficient, together with any uninvested cash in the 1997 A Escrow Fund but without further investment or reinvestment, for the payment of interest on the Refunded 1997 Series A Bonds through the date of redemption and the redemption price of, including accrued interest on, the Refunded 1997 Series A Bonds when due upon their redemption, at a redemption price equal to 101% of the principal amount redeemed, plus accrued interest (or in the case of certain Refunded 1997 Series A Bonds, the par amount of such bonds at maturity plus accrued interest).

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 1997 Series C Bonds and will be deposited in the 1997 C Escrow Fund. The funds deposited in the 1997 C Escrow Fund shall be (a) held in cash to the extent not needed to make the investments in United States Government obligations described in (b), and (b) invested in United States Government obligations that mature or are subject to redemption, in amounts sufficient, together with any uninvested cash in the 1997 C Escrow Fund but without further investment or reinvestment, for the payment of interest on the Refunded 1997 Series C Bonds through the date of redemption and the redemption price of, including accrued interest on, the Refunded 1997 Series C Bonds when due upon their redemption, at a redemption price equal to 101% of the principal amount redeemed, plus accrued interest (or in the case of certain Refunded 1997 Series C Bonds maturing on or before the redemption date, the par amount of such bonds at maturity plus accrued interest).

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 2002 Series B Bonds and will be deposited in the 2002 B Escrow Fund. The funds deposited in the 2002 B Escrow Fund shall be (a) held in cash to the extent not needed to make the investments in United States Government obligations described in (b), and (b) invested in United States Government obligations that mature or are subject to redemption, in amounts sufficient, together with any uninvested cash in the 2002 B Escrow Fund but without further investment or reinvestment, for the payment of interest on the Refunded 2002 Series B Bonds through the date of redemption and the redemption price of, including accrued interest on, the Refunded 2002 Series B Bonds when due upon their redemption, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest.

A portion of the proceeds of the sale of the 2006 Bonds will be used for the purpose of refunding the Refunded 2004 Series A Bonds and will be deposited in the 2004 A Escrow Fund. The funds deposited in the 2004 A Escrow Fund shall be (a) held in cash to the extent not needed to make the investments in United States Government obligations described in (b), and (b) invested in United States Government obligations that mature or are subject to redemption, in amounts sufficient, together with any uninvested cash in the 2004 A Escrow Fund but without further investment or reinvestment, for the payment of interest on the Refunded 2004 Series A Bonds through the date of redemption and the redemption price of, including accrued interest on, the Refunded 2004 Series A Bonds when due upon their redemption, at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest (or in the case of certain Refunded 2004 Series A Bonds maturing on or before the redemption date, the par amount of such bonds at maturity plus accrued interest).

THE BONDS

Description of the Bonds

The Bonds will be issued in an aggregate principal amount of $82,490,000, maturing on the dates and bearing interest at the rates per annum set forth on the inside front cover page of this Offering Circular. The Bonds will be dated the date of the original delivery of the Bonds and will be issued in denominations of $5,000 or any integral multiple thereof.

Interest on the Bonds is payable on each June 1 and December 1, beginning December 1, 2007 and any other date on which any Bond Service Charges shall be due and payable, whether at maturity, upon acceleration, redemption or otherwise (each an "Interest Payment Date").

Redemption.

Mandatory Sinking Fund Redemption of the Bonds.

The Bonds maturing on December 1, 2036 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date on December 1 in the year listed below and in the aggregate principal amount shown opposite such year:

Redemption Date (December 1)	Amount
2035	$2,610,000

Unless otherwise redeemed prior to maturity, the remaining principal amount of the Bonds maturing on December 1, 2036 ($2,725,000) will be payable on December 1, 2036.

The Bonds maturing on December 1, 2044 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed plus accrued interest to the redemption date on December 1 in each of the years listed below and in the aggregate principal amount shown opposite such year:

Redemption Date (December 1)	Amount
2037	$2,865,000
2038	3,010,000
2039	3,165,000
2040	3,325,000
2041	3,495,000
2042	3,680,000
2043	3,865,000

Unless otherwise redeemed prior to maturity, the remaining principal amount of the Bonds maturing on December 1, 2044 ($4,065,000) will be payable on December 1, 2044.

Optional Redemption. At the direction of CWRU, the Bonds maturing on December 1, 2036 and December 1, 2044 will be subject to redemption prior to maturity on or after December 1, 2016, from money delivered by CWRU to the

Trustee, in whole or in part on any date (in $5,000 amounts), at a redemption price of 100% of the principal amount redeemed, plus accrued interest on the principal amount redeemed to the redemption date.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary redemption prior to maturity, by and at the option of the Commission, at the direction of CWRU, (i) in the event of condemnation of the Projects or any part thereof to the extent provided in Section 6.3 of the Lease or (ii) upon the occurrence of any of the following events and the exercise by CWRU of its option to terminate the Lease:

(a) All or a substantial part of the Projects shall have been damaged or destroyed to such extent that (I) the Projects cannot be reasonably restored within a period of six months to the condition it was in immediately preceding such damage or destruction or (II) CWRU is thereby prevented from carrying on its normal operation of the Projects for a period of six months;

(b) Title to, or the temporary use of, all or a substantial part of the Projects shall have been taken under the exercise of the power of eminent domain by any governmental authority or Person acting under governmental authority to such extent that (I) the Projects cannot be reasonably restored within a period of six months to a condition comparable to its condition prior to such taking or (II) CWRU is thereby prevented from carrying on its normal operation of the Projects for a period of six months;

(c) As a result of any changes in the Constitution of the State or the Constitution of the United States of America, any legislative or administrative action (whether State or federal) or any final decree, judgment or order of any court or administrative body (whether state or federal) entered after a contest in good faith by the Commission or CWRU in the proceedings in which the decree, judgment or order is entered, (I) the Lease shall have become void, unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Lease or (II) if unreasonable burdens or excessive liabilities shall have been imposed upon the Commission or CWRU with respect to the Projects or its operation, including without limitation, the imposition of federal, State or other ad valorem, property, income or other taxes that were not imposed at the time the Bonds were originally issued, other than ad valorem taxes then levied upon privately-owned property used for the same general purpose as the Projects; or

(d) CWRU shall lose its status as a Tax-Exempt Organization but only if such loss results in the interest on the Bonds no longer being excluded from gross income for federal income tax purposes.

If called for redemption due to the reasons stated above, the Bonds shall be subject to redemption in whole at any time, or (in the event of redemption pursuant to Section 6.3 of the Lease due to condemnation of the Projects) in part on any Interest Payment Date in the order of the maturities of the Bonds to be redeemed as designated by CWRU, at a redemption price of 100% of the principal amount thereof, plus accrued interest to the redemption date.

Notice of Redemption. The Trustee will mail by first class mail, postage prepaid, to the registered owners of all Bonds to be redeemed, at the address shown on the registration books, notice of redemption at least 30 days prior to the redemption date. Each notice of redemption of the Bonds will identify the Bonds or portions thereof to be redeemed and will state, among other things, the redemption price, the redemption date, the place or places where the redemption price is payable and that on the redemption date such Bonds called for redemption (provided funds for the redemption of such Bonds are on deposit at the place of payment) will cease to bear interest. The failure of a Holder to receive notice by mailing or any defect in that notice regarding any Bond will not affect the validity of the proceedings for the redemption of the Bonds.

Book-Entry System

Payment of principal of and interest on the Bonds will be made directly to DTC or its nominee, Cede & Co., by the Trustee. In the event the Bonds are not in a book-entry-only system, payment of principal of and interest on the Bonds will be made as described in the Trust Agreement and summarized in Appendix C — "CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT, THE LEASE AND THE TAX AGREEMENT."

The ownership of one fully registered Bond for each maturity in the aggregate principal amount of such maturity will be registered in the name of Cede & Co., as nominee for DTC. In the event that (1) DTC resigns as securities depository for the Bonds, after giving reasonable notice thereof to the Commission or the Trustee, or (2) the Commission, at the request of CWRU, determines that the continuation of the book-entry system of evidence and transfer of ownership of the Bonds is not in the best interest of the Beneficial Owners (hereinafter defined) of the Bonds, CWRU or the Commission, then the Commission may, at the request of CWRU, discontinue the book-entry system with DTC. If the Commission and CWRU fail to identify another qualified securities depository to replace DTC, the Commission will execute and the Trustee will authenticate and deliver replacement Bonds in the form of fully registered certificates. If no qualified securities depository is the registered owner of the Bonds, the Paying Agent will pay interest to the Beneficial Owners by check mailed to the person registered at the close of business on the Regular Record Date as owner of the Bonds. Principal of and premium, if any, on the Bonds are payable upon presentation at the principal corporate trust office of the Paying Agent. Upon the issuance of replacement Bonds, the Trustee and the Registrar may require the payment by the Bondholder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to the issuance of such replacement Bond.

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal, premium, if any, and interest on the Bonds to DTC, its nominee, Participants, defined below, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as full-registered securities registered in the name of Cede & Co., DTC's nominee. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two 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 ("NSCC"), Government Securities Clearing Corporation ("GSCC"), MBS Clearing Corporation ("MBSCC") and Emerging Markets Clearing Corporation ("EMCC") (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 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 purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor 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 Commission 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).

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

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

The Commission, at the request of CWRU, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, either a successor securities depository will be selected by the Commission or Bond certificates will be printed and delivered.

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither the Commission, CWRU nor the Underwriters takes any responsibility for the accuracy thereof.

Neither the Commission, CWRU, the Registrar, the Paying Agent nor the Trustee will have responsibility or obligations to the Participants or the Beneficial Owners with respect to (1) the accuracy of any records maintained by DTC or any Participant, (2) the payment by DTC to any Participant, or by any Participant or Indirect Participant of any amount due to any Beneficial Owner, in respect of the principal of, premium, if any, or interest on the Bonds, (3) the delivery or timeliness of delivery by DTC to any Participant, or by any Participant or Indirect Participant of any notice to any Beneficial Owner, that is required or permitted under the terms of the Trust Agreement, (4) the

selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds, or (5) any consent given or other action taken by DTC as the registered bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Offering Circular to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners and the Trustee will treat Cede & Co. as the only Holders of Bonds for all purposes under the Trust Agreement.

The Commission may enter into amendments to the agreement with DTC, or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

While in book-entry form, transfers of beneficial ownership of Bonds will be effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and DTC Participants. If the book-entry system is discontinued, Bonds may be transferred or exchanged by delivery to the Registrar of a satisfactory written instrument of transfer executed by the Owner of the Bonds or his attorney or legal representative duly authorized in writing. The Commission, the Trustee, and the Registrar are not required to transfer or exchange any Bond (i) during a period beginning at the opening of business 15 days prior to the selection of the Bonds to be redeemed or (ii) for which notice of redemption has been given in accordance with the Trust Agreement. For every transfer and exchange of the Bonds, the Registrar may charge the Owner a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto and the charges of the Registrar.

SECURITY AND SOURCES OF PAYMENT

The Bond Service Charges due on the Bonds are payable from the Revenues, including primarily the Rental Payments to be derived by the Commission under the Lease, amounts held in, or for the credit of, the Bond Fund, and any other funds or accounts permitted by, established under or identified in the Trust Agreement or the Bond Legislation (collectively, the "Special Funds"), except the Rebate Fund and the Issuance Expenses Fund, all other rentals, revenue, income, charges and money received or to be received by the Commission, or the Trustee for the account of the Commission, from the lease, sale or other disposition of the Project, and all income and profit from the investment of the Rental Payments and the Special Funds and such other money (the "Revenues"). The Bonds are further secured by a security interest in the Revenues created in the Trust Agreement, by the Trust Agreement and (except for the Unassigned Rights) the Lease and by the Guaranty.

Payment of the principal and of interest on the Bonds when due will be insured by the Bond Insurance Policy to be issued by the Bond Insurer, simultaneously with the delivery of the Bonds. See "**BOND INSURANCE**".

The facilities comprising the Projects have been specifically constructed, equipped and improved for the benefit of CWRU for use in its educational programs, and by reason of their location may be subject to practical restrictions that may limit the use thereof by others. Therefore, in the event of a default, the Trustee's ability to lease or sell the Projects or portions thereof to third parties may be limited. The rentals or sale price, if any, might thus be adversely affected. There is no assurance that, should an event of default occur, the proceeds from the sale, lease or other disposition of the Projects would be sufficient to allow payment in full of the Bonds.

Under existing law, the remedies specified by the Trust Agreement, the Lease and the Guaranty may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by State and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights or the application of general principles of equity.

As described above, the Bonds are secured by a pledge of and security interests in the equipment and other tangible personal property included in the Project. The security interests in such property are intended to be prior to any security interest in, lien on or pledge or assignment of such property except for Permitted Encumbrances.

The enforceability of the Lease and the Trust Agreement may be subject to subordination or prior claims in certain instances in addition to that arising from bankruptcy proceedings. For a discussion of examples of possible limitations on enforceability and of possible subordination or prior claims, see "ENFORCEABILITY OF REMEDIES" herein.

The Bonds do not represent or constitute a debt or pledge of the faith and credit of the Commission or the State, will not be secured by an obligation or pledge of any money raised by taxation and do not grant to the Holders any rights to have the General Assembly of the State levy any taxes or appropriate any funds for the payment of the debt service on the Bonds. The Commission has no taxing power.

THE GUARANTY

Under the Guaranty, CWRU unconditionally guarantees to the Trustee for the benefit of the Holders of the Bonds (a) the full and prompt payment of the principal of and redemption premium, if any, on any Bond when and as the same shall become due, whether at the stated maturity thereof, by acceleration, by call for redemption or otherwise, (b) the full and prompt payment of any interest on any Bond when and as the same shall become due and (c) the full and prompt payment of all fees and expenses paid or incurred by the Trustee as Trustee under the Trust Agreement and in enforcing the Guaranty. The Trustee will proceed against CWRU under the Guaranty if (i) requested to do so by the Holders of at least 25% in aggregate principal amount of the Bonds outstanding and (ii) the Trustee is provided with adequate indemnity.

No setoff, counterclaim, reduction or diminution of an obligation, or any defense of any kind which CWRU has or may have against the State, the Commission, the Trustee, the Bond Insurer or any Holder will be available to CWRU against the Trustee under the Guaranty. CWRU has entered into a similar guaranty agreement in connection with each series of bonds issued by the Commission for CWRU.

BOND INSURANCE

The information provided below under this heading regarding the Bond Insurance Policy has been furnished by the Bond Insurer for use in this Offering Circular. Reference is made to **Appendix E** for a specimen of the Bond Insurance Policy.

The MBIA Insurance Corporation Insurance Policy

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurance Policy and MBIA set forth under the heading BOND INSURANCE. Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Bond Insurance Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Commission to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Bond Insurance Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds 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 (a "Preference").

The Bond Insurance Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Bond Insurance Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Bond Insurance Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA, Inc. is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Bond Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2005, MBIA had admitted assets of $11.0 billion (audited), total liabilities of $7.2 billion (audited), and total capital and surplus of $3.8 billion (audited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2006, MBIA had admitted assets of $11.5 billion (unaudited), total liabilities of $7.0 billion (unaudited), and total capital and surplus of $4.4 billion (unaudited), each as determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA, Inc. for the year ended December 31, 2005 and the consolidated financial statements of MBIA and its subsidiaries as of September 30, 2006 and for the nine month periods ended September 30, 2006 and September 30, 2005 included in the Quarterly Report on Form 10-Q of MBIA, Inc. for the period ended September 30, 2006, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at MBIA, Inc.'s web site at http://www.mbia.com and at no cost, upon request to MBIA at its principal executive offices.

Incorporation of Certain Documents by Reference

The following documents filed by MBIA, Inc. with the Securities and Exchange Commission (the "SEC") are incorporated by reference into this Official Statement:

(1) MBIA, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005; and
(2) MBIA, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by MBIA, Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA, Inc.'s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

MBIA, Inc. files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA, Inc.'s SEC filings (including (1) MBIA, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2005, and (2) MBIA, Inc.'s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006 are available (i) over the Internet at the SEC's web site at http://www.sec.gov; (ii) at the SEC's public reference room in Washington, D.C.; (iii) over the Internet at MBIA, Inc.'s web site at http://www.mbia.com; and (iv) at no cost, upon request to MBIA at its principal executive offices.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Prior to the delivery of the Series 2006 Bonds, Chris D. Berens, CPA, P.C., a firm of independent certified public accountants, will deliver a report on the mathematical accuracy of certain computations contained in schedules provided to them by the Underwriters. These computations will relate to the adequacy of maturing principal of and premium, if any, and interest on the Defeasance Obligations to pay the principal of and redemption premium, if any, and interest on the Refunded Bonds.

ENFORCEABILITY OF REMEDIES

Enforcement of the security interest in the Revenues and the remedies specified by the Trust Agreement, the Lease, the Guaranty, and the Assignment of Rights Under Lease dated as of December 1, 2006 from the Commission, as assignor, to the Trustee, as assignee, may be limited by the application of federal bankruptcy laws or other laws relating to creditors' rights. A court may decide not to order the specific performance of the covenants contained in these documents.

Under the United States Bankruptcy Code, allowable claims in a bankruptcy proceeding for future rents under a lease of real property are limited to rentals during the greater of (i) one year or (ii) 15% (but not exceeding three years) of the lease term remaining after the date of the filing of the bankruptcy proceedings or the removal of the lessee from possession. There is no case that decides whether the Bankruptcy Code's limitation on the payment of rentals may apply to a bond trustee's claim against a bankrupt guarantor under a guaranty of payment on tax-exempt bonds. However, in light of (i) the weight of the case law regarding claims in bankruptcy by bond trustees under lease agreements and (ii) the economic realities of this tax-exempt bond financing, a claim by the Trustee under the Guaranty in a bankruptcy proceeding should not be subject to limitations imposed on amounts allowed for claims arising under the Lease. The degree to which such a claim is satisfied will be dependent upon amounts that are available for and ordered to be distributed in the bankruptcy proceeding.

The enforceability of the liens of the Lease and the Trust Agreement may be subject to subordination or prior claims in certain instances other than bankruptcy proceedings. Examples of possible limitations on enforceability and of possible subordination or prior claims include (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights imposed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Ohio Uniform Commercial Code from time to time in effect or as a result of that code's not providing for perfection of a security interest therein, (vi) inability of the Trustee to perfect a security interest in those elements of the Revenues that can be perfected only by taking possession of such collateral, (vii) federal bankruptcy laws affecting, among other matters, payments made within 90 days prior to any institution of bankruptcy proceedings by CWRU or the Commission, (viii) state fraudulent conveyance laws, and (ix) the rights of holders of prior perfected security interests or of perfected purchase money security interests in equipment or other goods owned by CWRU and in the proceeds of the sale of such property and the rights of other parties secured by liens permitted under the Bond Documents.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights.

ABSENCE OF MATERIAL LITIGATION

To the knowledge of the appropriate officials of the Commission and CWRU, there is no litigation or administrative action or proceeding pending or threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the Trust Agreement, the Lease, the Base Lease, the Escrow Agreements, the Assignment or the Guaranty or contesting or questioning the validity of the Bonds or the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the pledge or application of any money or security provided for the payment of the Bonds under the Trust Agreement, the Lease or the Guaranty. A no-litigation certificate to such effect with respect to the Bonds will be delivered to the Underwriters at the time of the original delivery of the Bonds.

CWRU is a party to various legal proceedings seeking damages or injunctive relief which are generally incidental to its operations, and unrelated to the Bonds, the security for the Bonds, or the Project. CWRU administration does not believe that the outcome of any pending litigation will materially adversely affect the consolidated financial position, operations or cash flows of CWRU.

ELIGIBILITY UNDER OHIO LAW FOR INVESTMENT

Under the authority of Section 3377.11 of the Ohio Revised Code and to the extent investments of the following are subject to Ohio law, the Bonds are lawful investments of banks, societies for savings, savings and loan associations, deposit guarantee associations, trust companies, trustees, fiduciaries, insurance companies, including domestic for life and domestic not for life, trustees or other officers having charge of sinking and bond retirement or other special funds of political subdivisions and taxing districts of the State, the commissioners of the sinking fund of the State, the industrial commission, the State teachers retirement system, public employees retirement system, public school employees retirement system and police and firemen's disability pension fund, and are also acceptable as security for the deposit of public money.

TAX MATTERS

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law: (i) interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; and (ii) interest on, and any profit made on the sale, exchange or other disposition of, the Bonds are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax, and municipal and school district income taxes in Ohio. Bond Counsel expresses no opinion as to any other tax consequences regarding the Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the Commission and CWRU contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. In addition, Bond Counsel has relied on, among other things, the opinion of Jeanine Arden Ornt, Esq., CWRU's Vice President and General Counsel, regarding the current status of CWRU as an organization described in Section 501(c)(3) of the Code, which opinion is subject to a number of qualifications and limitations. Bond Counsel also has relied upon representations of CWRU concerning CWRU's "unrelated trade or business" activities as defined in Section 513(a) of the Code. Bond Counsel has not given any opinion or assurance concerning Section 513(a) of the Code or the effect of any future activities of the Commission or CWRU. Failure of CWRU to maintain its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Bonds in a manner that is substantially related to CWRU's charitable purpose under Section 513(a) of the Code, may cause interest on the Bonds to be included in gross income retroactively to the date of the issuance of the Bonds. Bond Counsel will not independently verify the accuracy of the Commission's and CWRU's certifications and representations or the continuing compliance with the Commission's and CWRU's covenants and will not independently verify the accuracy of the opinion of CWRU's general counsel.

The opinion of Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Bond Counsel's legal judgment as to the exclusion of interest on the Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Bond Counsel expresses no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the Commission or CWRU may cause loss of such status and result in the interest on the Bonds being included in gross income for federal income tax purposes retroactively to their date of issuance of the Bonds. CWRU and, subject to certain limitations, the Commission have each covenanted to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Bonds, Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or the market prices of the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress. There can be no assurance that legislation enacted or proposed, or clarification of the Code, after the date of issuance of the Bonds, will not have an adverse effect on the tax status of interest on the Bonds or the market prices of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal tax legislation, and prospective purchasers of the Bonds at other than their original issuance at the respective prices indicated on the cover of this Offering Circular should also consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Commission, CWRU or the beneficial owners regarding the tax status of interest on the Bonds in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Bonds, under current IRS procedures, the IRS will treat the Commission as the taxpayer and the beneficial owners of the Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market prices for the Bonds.

Original Issue Premium

The Bonds, as indicated on the inside cover of this Offering Circular, were offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Bond, based on the yield to maturity of that Bond (or, in the case of a Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Bond, the owner's tax basis in the Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Bond for an amount equal to or less than the amount paid by the owner for that Bond. A purchaser of a Bond at its issue price in the initial public offering who holds that Bond to maturity (or, in the case of a callable Bond, the earliest call date that results in the lowest yield on that Bond) will realize no gain or loss upon the retirement of that Bond.

Owners of the Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

FINANCIAL ADVISOR

CWRU has retained Public Financial Management, Inc. (the "Financial Advisor") in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Offering Circular. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX MATTERS") are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel. A signed copy of that opinion, dated and speaking only as of the date of the original delivery of the Bonds, will be delivered to the Underwriters and the Commission.

The proposed text of the legal opinion is set forth in Appendix D hereto. The legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The legal opinion of Bond Counsel will speak only as of its date, and subsequent distribution of it by recirculation of the Offering Circular or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

While Bond Counsel has participated in the preparation of portions of this Offering Circular, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Offering Circular, or in any other reports, financial information, offering or disclosure documents or other information pertaining to CWRU or the Bonds that may be prepared or made available by CWRU, the Underwriters, or otherwise to the bidders for or holders of the Bonds or others.

In addition to rendering the legal opinion, Bond Counsel will assist in the preparation of and advise the Commission and CWRU concerning documents for the bond transcript.

Certain legal matters in connection with the Bonds will be passed upon for CWRU by Jeanine Arden Ornt, Esq., its Vice President and General Counsel, and for the Underwriters by Thompson Hine LLP, their counsel.

RATINGS

The Bonds have been assigned a rating of "AAA" by Standard & Poor's Ratings Services ("S&P") and a rating of "Aaa" by Moody's Investors Service, Inc. ("Moody's"), each with the understanding that a financial guaranty insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer. See **Appendix E - Specimen of Bond Insurance Policy**. S&P and Moody's have assigned underlying ratings of "AA-" and "A1", respectively, to the bonds of the Commission reflecting long-term debt of CWRU.

CWRU furnished to such rating agencies the information contained in this Offering Circular and certain other materials and information about CWRU. Generally, rating agencies base their ratings on such materials and information, as well as separate investigations, studies and assumptions.

A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such rating may only be obtained from the rating agency. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

CWRU undertakes no responsibility either to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

UNDERWRITING

Morgan Stanley & Co. Incorporated, as representative of the Underwriters, has agreed to purchase the Bonds at an aggregate purchase price of $90,667,927.25 (equal to the aggregate principal amount of the Bonds, plus net premium of $8,593,059.75 and less Underwriters' discount of $415,132.50). The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the public offering prices stated on the cover page hereof. The public offering price set forth on the cover page hereof may be changed after the initial offering by the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all the Bonds, if any are purchased, and requires CWRU to indemnify the Underwriters and the Commission against losses, claims, damages and liabilities arising out of any incorrect statements or information including the omission of material facts, contained in this Offering Circular pertaining to CWRU and other specified matters.

CONTINUING DISCLOSURE

The Bonds are subject to the continuing disclosure requirements of SEC Rule 15c2-12 (the "Rule"). CWRU will agree, for the benefit of the holders and beneficial owners from time to time of the Bonds, in accordance with, and as the only obligated person with respect to the Bonds under the Rule, to provide or cause to be provided such financial information and operating data ("Annual Information"), financial statements and notices, in such manner, as may be required for purposes of paragraph (b)(5) of the Rule (the "Continuing Disclosure Agreement"). CWRU will agree expressly to provide or cause to be provided:

(a) to each nationally recognized municipal securities information repository designated from time to time by the SEC in accordance with the Rule ("NRMSIR") and to any state information depository with which filings are required to be made by CWRU in accordance with the Rule ("SID"), (i) Annual Information for each fiscal year of CWRU, commencing with Annual Information for the fiscal year ending June 30, 2007 not later than 270 days following each fiscal year, and (ii) when and if available, CWRU's audited consolidated financial statements for each such fiscal year; and

(b) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB"), and to any SID, in a timely manner, (i) notice of any Specified Event described below if that Event is material, (ii) notice of CWRU's failure to provide the Annual Information with respect to itself within the time specified above, and (iii) notice of any change in the accounting principles applied in the preparation of annual consolidated financial statements, any change in CWRU's fiscal year, CWRU's failure to appropriate funds to meet costs to be incurred to perform the Continuing Disclosure Agreement, and the termination of that Agreement.

Annual Information to be provided will consist of annual financial information and operating data of the type included in Appendix A under the captions "Research at CWRU", "Faculty", "Employees", "Enrollment", "Tuition and Fees", "Financial Aid", "Gifts, Grants and Bequests", "CWRU Endowment Assets" and "Financial Obligations". Specified Events to be disclosed, if material, include the occurrence of any of the following events, within the meaning of the Rule, with respect to the Bonds: principal and interest payment delinquencies; non-payment related defaults; unscheduled draws on debt service reserves reflecting financial difficulties; unscheduled draws on credit enhancements reflecting financial difficulties; substitution of credit or liquidity providers, or their failure to perform; adverse tax opinions or events affecting the tax-exempt status of the Bonds; modifications to rights of holders or beneficial owners; bond calls; defeasances; release, substitution, or sale of property securing repayment of the Bonds; and rating changes. The scheduled redemption of Bonds pursuant to mandatory sinking fund redemption requirements does not constitute a Specified Event within the meaning of the Rule; notice of any such call for redemption will be given to Holders as described under "THE BONDS – Description of the Bonds – Redemption – Notice of Redemption".

CWRU expects that its audited consolidated financial statements will be prepared, any such statements will be available together with the Annual Information, and the accounting principles to be applied in the preparation of those financial statements will be as described in generally accepted accounting principles. CWRU expects that Annual Information will be provided directly by CWRU and, in part, by cross-reference to other documents to each NRMSIR and any SID.

The Continuing Disclosure Agreement may be amended as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature or status of CWRU, or type of business conducted by CWRU. Any such amendment shall not be effective unless the Continuing Disclosure Agreement (as amended) would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until CWRU and the Trustee shall have received either (a) a written opinion of bond or other qualified independent special counsel or determination of the Trustee that the amendment would not materially impair the interest of holders or beneficial owners of the Bonds or (b) the written consent to the amendment of the holders or beneficial owners of a majority of the principal amount of the Bonds then outstanding. Annual information containing any amended operating data or financial information will explain, in narrative form, the reasons for any such amendment and the impact of the change on the type of operating data or financial information being provided.

The Continuing Disclosure Agreement is solely for the benefit of the holders and beneficial owners from time to time of the Bonds, and the exclusive remedy for its breach will be a right to obtain its specific performance (by mandamus or other lawful means). The Trustee may, and upon request of holders and beneficial owners of 25% in principal amount of the Bonds then outstanding is required to, institute and maintain proceedings to enforce any obligation of CWRU under the Continuing Disclosure Agreement. In addition, in the absence of any pertinent filing when a filing is due, any individual holder or beneficial owner may institute and maintain proceedings to enforce CWRU's obligation to provide or cause to be provided a pertinent filing; provided, that an individual holder or beneficial owner shall not be entitled to institute or maintain proceedings to challenge the sufficiency of any pertinent filing that is made.

The Continuing Disclosure Agreement will remain in effect only for such period that the Bonds are outstanding in accordance with their terms and CWRU remains in obligated person with respect to the Bonds within the meaning of the Rule. The obligation of CWRU to provide the Annual Information and notices of the events described above will terminate, if and when CWRU no longer remains such an obligated person.

The Treasurer of the State of Ohio has designated the Ohio Municipal Advisory Council as the SID for the State pursuant to SEC Rule 15c2-12 and legislation enacted by the Ohio General Assembly.

Any failure by CWRU to comply with any provision of the Continuing Disclosure Agreement will not constitute a failure or a default, or an Event of Default, under the Lease, the Guaranty or the Trust Agreement.

CWRU has failed to provide required annual financial information on or before the date required in its continuing disclosure agreements entered into in connection with certain prior bond issues with respect to each of the years 1999, 2000 and 2001. Appropriate filings were made on April 22, 2002 to remedy that failure.

Any filing required to be made by the Trustee or CWRU in order to comply with the Rule may, in the alternative, be made by transmitting such filing to the Texas Municipal Advisory Counsel (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

CWRU FINANCIAL STATEMENTS

The financial statements of CWRU as of June 30, 2006, and for the year then ended, appended hereto as Appendix B to this Offering Circular, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in the report appended therein.

MISCELLANEOUS

CWRU has furnished all information herein relating to CWRU. Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Offering Circular nor any statement which may have been made orally or in writing is to be construed as a contract with the beneficial owner of any Bond.

All of the summaries of the provisions of the Bonds, the Trust Agreement, the Lease, the Base Lease, the Escrow Agreements, the Guaranty and the Tax Agreement set forth herein (exclusive of financial and statistical data), and all other summaries and references to such other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and are made subject to all of the detailed provisions thereof, to which reference is hereby made for further information, and do not purport to be complete statements of any or all such provisions of such documents.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable. No representations whatsoever are made that such estimates or assumptions herein involve anything other than matters of opinion. Whether or not expressly so stated, they are intended to be opinions and not representations of fact.

The information set forth herein, or in the Appendices, should not be construed as representing all of the conditions affecting CWRU.

A complete transcript of proceedings and no-litigation certificate (as described above) will be delivered by the Commission upon delivery of the Bonds to the original purchaser. At that time, CWRU will furnish to the original purchaser a certificate relating to the accuracy and completeness of this Offering Circular (including matters set forth in or contemplated by it), and to its being a "final offering circular" in CWRU's judgment for purposes of SEC Rule 15c2-12(b)(3).

CONSENT TO DISTRIBUTION

CWRU has authorized distribution of this Offering Circular.

CASE WESTERN RESERVE UNIVERSITY

By: /s/ Gregory Eastwood
Interim President

And By: /s/ Hossein Sadid
Chief Financial and Administrative Officer

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APPENDIX A

CERTAIN INFORMATION ABOUT CASE WESTERN RESERVE UNIVERSITY

General

Case Western Reserve University ("CWRU"), an Ohio nonprofit corporation, is the largest independent research university in Ohio, providing undergraduate, graduate and professional programs in health (including medicine, nursing and dental medicine), engineering, the arts and sciences, law, management and social work. CWRU's campus occupies 150 acres and contains more than 90 major buildings for academic, administrative and residential use. Western Reserve University, founded in 1826, and Case Institute of Technology, founded in 1880, federated in 1967 to form Case Western Reserve University.

CWRU is located in University Circle, a 550-acre concentration of more than 50 educational, medical, cultural, religious, and social service institutions at the eastern edge of Cleveland, Ohio. In addition to CWRU, which is the largest institution in University Circle, the community includes Severance Hall, home of the world-famous Cleveland Orchestra; the Cleveland Museum of Art, housing one of the nation's finest collections; the Cleveland Institute of Music; the Cleveland Institute of Art; the Western Reserve Historical Society; the Cleveland Museum of Natural History; and several medical facilities, including University Hospitals of Cleveland.

CWRU admits students without discrimination as to race, color, sex, religion, age, personal handicap and national or ethnic origin. CWRU's opening enrollment for the 2006-07 academic year was 8,183 full-time equivalent students. In addition, 113 full-time equivalent students from the Cleveland Institute of Music were enrolled at CWRU through the joint music program. Approximately 43% of the 2004-05 bachelor's degree recipients pursued graduate and professional studies at leading institutions of learning in the United States and abroad.

CWRU operates on a fiscal year (the "Fiscal Year") that begins on July 1 and ends on the following June 30 and any reference to a particular Fiscal Year means the Fiscal Year that ends on June 30 in the indicated year.

Governing Structure

CWRU is governed by a Board of Trustees (the "Board") consisting of 38 members, including the President (currently the Interim President) of CWRU, who is an *ex officio* member. All of the Board members except the President are elected by the Board for a term not to exceed four years and are eligible for re-election once and, following a one-year lapse in service, are eligible for re-election for additional terms. Retirement occurs at age 72. Trustees emeriti may attend and participate in Board meetings but do not have a vote.

The Board holds three regular meetings during CWRU's academic and Fiscal Year (July 1-June 30). Special meetings may be called from time to time. The presence of 15 Trustees is required for a quorum at any meeting of the Board. Most actions of the Board require the affirmative vote of a majority of the Trustees present at a meeting at which a quorum is present. The members of the Executive Committee of the Board, each of whom is an active Trustee, meet during the months that the full Board does not meet with the exception of August. Five members of the Executive Committee constitute a quorum at meetings. During the intervals between Board meetings, the Executive Committee has full power to take any action that the Board is authorized to take except (1) electing Trustees; (2) electing or removing from office a President; (3) amending the Articles of Incorporation, Regulations or By-Laws. The standing committees of the Board include: Executive, Investment, Audit, Development, Alumni Affairs and University Relations, Finance, Campus Planning, Academic Affairs/ Student Life, and the Committee on Trustees.

The following table sets forth the members of the Board as of November 1, 2006, indicating each member's principal business or professional affiliation as of that date, and the month and year in which each member's term expires.

TRUSTEES

Name	Affiliation	Term Expires
George N. Aronoff	Chairman Benesch, Friedlander, Coplan & Aronoff LLP	June 2007
Virginia Barbato	President Nord Family Foundation	June 2008
James L. Bildner	General Partner New Horizons Partners, LLC	June 2007
William E. Bruner, II, M.D.	Clinical Professor of Ophthalmology University Ophthalmology Associates, Inc.	June 2007
Timothy J. Callahan	President MCT Corporation	June 2007
John P. Campi	Senior Vice President The Home Depot	June 2010
Antony E. Champ, Ph.D.	Owner White Hall Vineyards	June 2007
Kenneth B. Chance, DDS	Professor and Chief, Division of Endodontics University of Kentucky College of Dentistry	June 2009
Archie G. Co	Ginza Bellevue Hotel, Ltd.	June 2008
David A. Daberko	Chairman and Chief Executive Officer National City Corporation	June 2007
James Diggs	Sr. VP, General Counsel and Secretary PPG Industries	June 2008
Thalia Dorwick, Ph.D.	Editor-in-Chief (retired) McGraw Hill Higher Education	June 2007
Gregory L. Eastwood, M.D.	Interim President CWRU	*ex officio*
Susie Gharib	Co-Anchor Nightly Business Report PBS-TV	June 2009
Joie A. Gregor Vice Chair of the Board	Vice Chairman Heidrick and Struggles, Inc.	June 2010
Sally Gries	Chair, President and Chief Executive Officer Gries Financial LLC	June 2007

Name	Affiliation	Term Expires
Peter S. Hellman	President and Chief Financial Officer Nordson Corporation	June 2007
David P. Hunt Vice Chair of the Board	Chairman of the Board Newpark Resources, Inc.	June 2009
Jennie S. Hwang, Ph.D.	President/CEO Asahi America, Inc.	June 2010
Samir N. Jadallah	General Partner MDV	June 2007
Mary Ann Jorgenson	Partner Squire, Sanders, & Dempsey L.L.P.	June 2009
Joseph P. Keithley	Chairman, President and Chief Executive Officer Keithley Instruments, Inc.	June 2007
Charles J. Koch	Chairman Charter One Bank, N.A.	June 2010
Caroline A. Kovac	Managing Director Burrill & Company	June 2010
Frank N. Linsalata Chair of the Board	Chairman and Chief Executive Officer Linsalata Capital Partners	June 2010
George Majoros	President and COO Wasserstein & Co.	June 2009
Joseph Mandato	Managing Director DeNovo Ventures	June 2010
Joshua W. Martin III	Partner Potter Anderson & Carroon, L.L.P.	June 2009
Thomas F. McKee	Co-Chairman/Partner Calfee, Halter & Griswold, LLP	June 2010
Ferid Murad, MD, PhD	Professor, Director and Chair, Department of Integrative Biology and Pharmacology and Institute of Molecular Medicine University of Texas Medical School, Houston	June 2010
Paul Ostergard	Retired	June 2011
Alfred M. Rankin, Jr.	Chairman, President and Chief Executive Officer NACCO Industries, Inc.	June 2007
Joseph B. Richey	President Invacare Technologies Division and Senior Vice President Design & Electronic Engineering Invacare Corporation	June 2007

Name	Affiliation
Robert J. Herbold, Ph.D.	Managing Director The Herbold Group, LLC
Michael J. Horvitz	Of Counsel Jones, Day, Reavis and Pogue
Dorothy Humel Hovorka	Community Affairs
George M. Humphrey, II	President Extrudex LP
Louise Ireland Humphrey (Mrs. Gilbert W.)	Community Affairs
Edith K. Lauer	Chairman Emeritus Hungarian American Coalition
Norma Lerner	Community Affairs
John F. Lewis	Senior Partner Squire, Sanders & Dempsey L.L.P.
Morton L. Mandel	Chairman and CEO Parkwood Corporation
Harold D. McRae	Consultant
Samuel H. Miller	Co-Chairman and Treasurer Forest City Enterprises, Inc.
A. Malachi Mixon, III	Chairman and Chief Executive Officer Invacare Corporation
Lindsay J. Morgenthaler	Community Affairs
John C. Morley	President Evergreen Ventures, Ltd.
Mario M. Morino	Chairman Venture Philanthropy Partners and Morino Institute and Special Partner General Atlantic Partners
Lucia S. Nash	Community Affairs
Richard W. Pogue, J.D.	Advisor Jones Day
James A. Ratner	Executive Vice President Forest City Enterprises, Inc.
Karl H. Rudolph	Retired

Name	Affiliation
Elizabeth Spahr, Ph.D.	Associate Director University of Maryland Center for Environmental Science
Thomas P. Steindler	Attorney McDermott, Will and Emery
Joseph H. Thomas	Senior Portfolio Manager Lakepoint Investment Partners
Robert M. Ward	President Ward Associates
Russell J. Warren	President The TransAction Group
Richard T. Watson	President and Managing Partner Spieth, Bell, McCurdy & Newell Co., L.P.A.
Albert J. Weatherhead, III	President Weatherhead Industries, Inc.

Certain members of the Board may be partners, officers, directors or stockholders of, or may have other financial interests in or business relationships with, financial institutions, law firms or brokerage firms that are underwriter of or may act as trustee for the Bonds, or which serve as bond counsel or as counsel to the Commission, the trustee or the underwriter. No such institution or firm will be disqualified from acting as an underwriter, as counsel or as trustee because of the existence of such a relationship.

Administration

The business affairs of CWRU are administered and managed on a day-to-day basis by senior administrators of CWRU, including a president (currently the interim president), provost and chief financial and administrative officer, all of whom are appointed by the Board. These administrators are:

Gregory L. Eastwood, Interim President
B.S. (Albion College)
M.D. (Case Western Reserve University)

Dr. Gregory L. Eastwood was named Interim President of CWRU in June 2006. Before arriving at CWRU, he had been President of SUNY Upstate Medical University since January 1993. SUNY Upstate Medical University is comprised of the SUNY University Hospital, four professional colleges (Medicine, Nursing, Health Professions and Graduate Studies), and a clinical campus in Binghamton, NY. With an annual budget of nearly $800 million and a workforce of over 6,300 people, SUNY Upstate Medical University is Central New York's largest employer. Dr. Eastwood completed a residency in internal medicine at the Hospital of the University of Pennsylvania and a fellowship in gastroenterology sponsored by the National Institutes of Health at the Boston University Medical Center and then served two years on the Clinical Investigation Service at the Philadelphia Naval Hospital. Subsequently, he held faculty appointments at Harvard Medical School and the University of Massachusetts Medical School, where he was Director of the Gastroenterology Section and Associate Dean for Admissions. Dr. Eastwood also served as Dean of the Medical College of Georgia.

John L. Anderson, Provost
B.Ch.E. (University of Delaware)
Ph.D. (University of Illinois)

John L. Anderson was named Provost and University Vice President of CWRU in January 2004 and assumed the position on April 1, 2004. He served on the faculty of Cornell University for five years before joining the faculty at Carnegie Mellon University in 1976, where he served until 2004. At Carnegie Mellon he was University Professor of Chemical Engineering and held the positions of Head of the Chemical Engineering Department, Director of the Biomedical Engineering Program and Dean of College of Engineering. Dr. Anderson is a member of the National Academy of Engineering and has chaired the NAE section of Chemical Engineering. Dr. Anderson is also an associate editor of Industrial and Engineering Chemistry Research and is or has been a member of advisory boards at 13 universities. He has served as the Vice-Chair of the national Engineering Deans Council.

Hossein Sadid, Chief Financial and Administrative Officer
M.B.A. (Case Western Reserve University)

Hossein Sadid was named Chief Financial and Administrative Officer of CWRU in July 2003 and has responsibility for all financial reporting and recording functions. A certified public accountant, he joined CWRU in 1980, with responsibilities ranging from directing the internal audit department to assuming key financial and operational positions involving controllership, environmental safety, procurement, auxiliary enterprises, and human resources. Mr. Sadid has served on a variety of boards and professional organizations, including the Medical Center Company, Lorain Dock Co., the National Association of College and University Business Officers, and the Eastern Association of College and University Business Officers. He has been the President of the Medical Center Company for two one-year terms.

CWRU has been conducting a national search for its next president and currently expects to select a new president in time for that individual to assume the presidency by summer of 2007.

Academic Programs

The academic programs of CWRU are administered through the College of Arts and Sciences, the School of Engineering and six professional schools, with coordination provided by the President and Provost. The major academic divisions of CWRU are described below, along with a listing of their principal offerings. Several of these units cooperate to offer programs leading to joint degrees.

CWRU's academic year is divided into two semesters. The number of semester credit hours required for the baccalaureate varies with the major field of study, ranging from 120 credit hours for most of the arts and sciences programs to 127-133 credit hours for most of the engineering programs.

Course offerings are extensive. Students at CWRU may choose from among approximately 130 fields of concentration, many of which are interdisciplinary and offer advanced study leading to masters and doctoral degrees.

The College of Arts and Sciences offers curricula leading to B.A. and B.S. degrees in more than 40 disciplines in the arts, humanities, social sciences, mathematics and natural sciences. Faculty in the College of Arts and Sciences also conduct research and offer instruction leading to M.A., M.F.A., M.S. and Ph.D. degrees in these fields.

The School of Engineering offers courses leading to the B.S., M.S., M.Engr. and Ph.D. degrees in more than a dozen fields of engineering. The Institute for Management and Engineering, a joint venture of the School of Engineering and the Weatherhead School of Management, offers the Master of Engineering and Management (M.E.M.) degree, designed to prepare undergraduate engineering majors for work in a business environment, particularly in technology-based organizations. Faculty in the School are also engaged in extensive research and scholarship, much of which is externally sponsored.

The School of Graduate Studies confers M.A., M.S., M.F.A., M.P.H., and Ph.D. degrees upon students who have completed advanced study in engineering, the arts, humanities and social sciences, mathematics and natural sciences and various professional fields. The School is an administrative unit. Graduate instruction is provided by faculty who hold appointments in the College of Arts and Sciences and professional schools.

The Mandel School of Applied Social Sciences offers curricula leading to the M.S.S.A. (Master of Science in Social Administration) degree in social work, and to the Ph.D. degree in social welfare. In collaboration with the School of Law and the Weatherhead School of Management, the Mandel School administers the Mandel Center for Nonprofit Organizations. The Mandel School and the Weatherhead School offer a joint program leading to the degree of Master of Nonprofit Organizations (M.N.O.). The Mandel School also operates continuing education programs for social workers, nurses, and psychologists in the region.

The School of Dental Medicine offers a curriculum leading to the D.M.D. degree, and postdoctoral training in several dental specialties leading to the M.S.D. degree. In conjunction with its curriculum, the School also operates a dental clinic on campus where students provide dental service to area residents under close supervision by faculty.

The School of Law offers curricula leading to the J.D. and LL.M. degrees. As part of its curricula, the School also operates a legal clinic in which law students (under close faculty supervision) provide services to clients from the community.

The Weatherhead School of Management offers curricula leading to the B.S., M.S., M.Acc., M.B.A., E.D.M. (Executive Doctor of Management) and Ph.D. degrees in management, accounting, organizational behavior, operations research and other areas of business administration. Members of the Weatherhead School's faculty also provide instruction in economics for undergraduate students enrolled in the College of Arts and Sciences. As noted above, the Weatherhead School offers joint programs with the Mandel School and the School of Engineering leading to the M.N.O. and M.E.M. degrees, respectively.

The School of Medicine offers a curriculum leading to the M.D. degree. The School's pre-clinical departments offer instruction leading to the M.S., Ph.D. and M.D.- Ph.D. degrees in the biomedical sciences. The faculty in the School are extensively involved in biomedical research. Full-time faculty in the School's clinical disciplines also have a major commitment to patient care and to close supervision of medical students' involvement in patient services in a network of affiliated hospitals and clinics.

The Frances Payne Bolton School of Nursing offers curricula leading to professional degrees in nursing: the Bachelor of Science in Nursing (B.S.N.) degree, with an emphasis on acute care, and the Doctor of Nursing Practice (D.N.P.) degree, a professional degree for students who already have baccalaureates in the liberal arts or sciences. The School also offers instruction leading to the M.S.N. degree in several nursing specialties, and to the Ph.D. in Nursing. The School's faculty members also maintain an active research program.

Special Programs For Undergraduate Students

CWRU has many special programs of study for undergraduates, including:

Pre-Professional Scholars Programs and the Six-Year Dental Program: These programs grant to a few outstanding freshman applicants conditional commitments of admission to the professional schools of dental medicine, law, medicine and social work at CWRU.

Early Decision For Admission to the School of Law: This program grants a conditional commitment of admission to the School of Law to outstanding students at CWRU who have completed two years of undergraduate study and taken the Law School Admission Test.

Senior Year in Professional Studies at CWRU: Students of superior ability and attainment who are candidates for a B.A. degree and are admitted during their junior year to professional studies in dental medicine, medicine, nursing or social work at CWRU are offered an opportunity to shorten their entire course of studies by one year by substituting work in the first year of professional school for their final undergraduate year.

Integrated Bachelor's/Master's Programs: Candidates for the B.A. degree may be admitted to graduate study for their senior year and pursue simultaneous completion of requirements for both the bachelor's and master's degrees. Candidates for the B.S. degree in engineering, computer science, mathematics, natural sciences, or statistics may begin study toward the master's degree while still an undergraduate, counting up to nine hours of graduate credit toward both degrees. Students who are candidates for the B.S. in accountancy may also begin graduate coursework leading to the Master of Accountancy degree while still enrolled as undergraduates.

International Exchange Programs: Qualified students may participate in Junior Year Abroad or other international exchange programs through established foreign universities or approved foreign study programs offered through accredited American universities. CWRU participates in the Global Engineering Education Exchange (GE3), an international exchange program administered by the Institute for Engineering Education. CWRU also has bilateral exchange agreements with universities in Australia, France, Germany, Singapore, Spain, Turkey, and the United Kingdom.

Washington Center Program: Qualified students may earn a semester's credit for satisfactory completion of work with source materials and at federal government institutions.

Co-Operative Education Program: Cooperative education offers students pursuing degrees in engineering, science, management and accounting the opportunity to alternate classroom studies with full-time employment consistent with their major fields of study.

College Scholars Program: CSP is a three-year honors program that explores the connections between interdisciplinary learning and leadership both on the CWRU campus and in the larger community. Students apply for the program as freshmen; approximately 20 are accepted each year. Students selected as College Scholars move as a cohort through the program. Each year's class emphasizes a different set of experiences, including the design and presentation of a senior capstone project.

Seminar Approach to General Education and Scholarship (SAGES): SAGES is an innovative undergraduate curriculum designed to establish the foundations for academic inquiry by emphasizing critical reading, analytical thinking, and effective written and oral communication. The program features small seminars, intensive advising, a writing portfolio, and a senior capstone experience. SAGES began as a pilot program in 2002, but has been required for all freshmen since fall 2005.

Teacher Licensure: CWRU offers preparation for teacher licensure in art education and music education for grades Pre-K through 12 at the undergraduate and graduate levels, and in school speech-language pathology (through the Department of Communication Sciences) at the graduate level. CWRU also offers preparation for Adolescence/Young Adult Teacher Licensure (grades 7-12) in biology, chemistry, English, history, mathematics and physics through a joint program with John Carroll University. Multi-age licensure is available in French and Spanish.

Research at CWRU

CWRU is classified by the Carnegie Foundation for the Advancement of Teaching as a Research University (very high research activity). This classification is based on a formula that includes both aggregate and per-capita measures of research activity, including research and development expenditures and the number of doctorates awarded. For fiscal year 2004, the most recent period for which complete information is available, CWRU ranked 43rd among all institutions in the country (20th among private institutions) in federally financed expenditures for research and development.

CWRU's total research and training revenues (including indirect cost recovery) have grown significantly over the last five years:

Fiscal Year	Revenues
2006	$406,889,000
2005	388,432,000
2004	346,216,000
2003	278,064,000
2002	258,494,000

In Fiscal Year 2006, research accounted for approximately 55% of CWRU's revenues. Major sources of this support were the National Science Foundation for research in the physical sciences, social sciences and engineering, and the National Institutes of Health for support of biological and biomedical research.

While all of CWRU's schools carry out contract research supported by federal agencies, foundations and business firms, the School of Medicine and the School of Engineering are the two major centers of supported scientific research.

CWRU participates in a number of public/private partnerships to promote economic development based on technology originating on the campus, including several technology centers affiliated with the State of Ohio's Thomas Edison Program. CWRU has made significant investments in its technology transfer infrastructure over the past several years, with creation of a central office to analyze new invention disclosures, estimate market size for inventions with commercial potential, identify potential licensees, and negotiate licenses. In addition, CWRU has started a seed-stage fund, to be used to advance promising commercial ideas.

CWRU is affiliated with the Cleveland Clinic and has formed the Cleveland Clinic Lerner College of Medicine ("CCLCM") as a medical college associated with CWRU's School of Medicine. The Cleveland Clinic and CWRU cooperate in the running of the CCLCM and on research, and have other affiliation agreements in which CWRU students conduct clinical experiences at the Clinic.

Accreditation and Recognition

CWRU is a member of the Association of American Universities, and is fully accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. In addition, several of its programs are fully accredited by nationally recognized professional accrediting associations, including:

AACSB International – The Association to Advance Collegiate Schools of Business
(business, accounting)
Accreditation Board for Engineering and Technology
(engineering, computer science)
Accreditation Council for Cooperative Education
(cooperative education programs)
American Association of Nurse Anesthetists
(nurse anesthesia)
American Bar Association
(law)
American Board of Genetic Counseling
(genetic counseling)
American Chemical Society
(chemistry)
American Council of Nurse-Midwives
(nurse midwifery)
American Dental Association
(dental medicine)

American Medical Association and Association of American Medical Colleges, Liaison Committee on Medical Education
(medicine)
American Psychological Association
(clinical psychology)
American Speech-Language-Hearing Association
(speech pathology)
Association of American Law Schools
(law)
Commission on Accreditation for Dietetics Education, American Dietetic Association
(didactic program in dietetics, dietetic internship)
Commission on Accreditation of Allied Health Education Programs
(anesthesiology assistant)
Council on Education for Public Health
(public health)
Council on Social Work Education
(applied social sciences)
National Association of Schools of Music
(music)
National League for Nursing
(nursing)
Ohio Department of Education, Division of Teacher Education and Licensure
(art education and music education)

CWRU is chartered as an educational institution under the laws of the State of Ohio and holds a Certificate of Authorization from the Ohio Board of Regents.

Membership in Athletic Associations

CWRU is a member of National Collegiate Athletic Association (NCAA Division III) and is a founding member of the University Athletic Association (the "UAA"), a group of independent, research-oriented universities that do not offer athletic scholarships. Other members of the UAA are Brandeis University, Carnegie Mellon University, University of Chicago, Emory University, New York University, University of Rochester and Washington University in St. Louis. CWRU's teams compete in various sports such as football, basketball and swimming. No funds are generated from these competitions to the member institutions from advertising or promotion.

Faculty

CWRU, excluding the School of Medicine, has a full-time faculty of 604, of whom 351 (58%) have tenure. Of the full-time faculty members, approximately 95% hold the Ph.D. degree or the highest degree appropriate to their teaching assignment. The full-time faculty is augmented by more than 200 visiting faculty, lecturers, and adjunct faculty. The School of Medicine has nearly 1,800 full-time faculty, and a comparable number of clinical (voluntary) faculty. Of this full-time faculty, approximately 20% have tenure, and almost all have Ph.D. or M.D. degrees, or both.

CWRU believes that it is competitive on average faculty compensation as reflected by the American Association of University Professors (AAUP) ratings for its type of institution. In Fiscal Year 2006, CWRU had an AAUP 1 rating (80th percentile) for average salaries for the ranks of professor and associate professor, an AAUP 2 rating (60th percentile) for the rank of instructor, and an AAUP 3 rating (40th percentile) for the rank of assistant professor.

Employees

As of June 30, 2006, CWRU had 4,134 full-time and part-time benefits eligible employees, including faculty. There has never been a work stoppage by employees. CWRU believes that its employee relations are good. CWRU has one collective bargaining unit that represents eight employees.

Pension Plans

CWRU's employees are covered by one of two pension plans.

Faculty and senior administrative staff, representing about 41% of the total participants, are covered by a defined contribution plan. There are two funding vehicles for this plan: individually owned annuity contracts purchased from Teachers Insurance and Annuity Association and College Retirement Equities Funds; and a "Section 403(b)(7)" plan through the Vanguard Fund. Contributions to these plans are made on a current basis according to a defined formula. Each employee is vested immediately.

Remaining staff employees are covered under a defined benefit plan administered by TIAA-CREF. As of June 30, 2006, this plan required a cash contribution of $4,427,179 to meet ERISA funding requirements as actuarially determined by Watson Wyatt Worldwide. A payment of $1,843,681 was made on July 14, 2006 and a payment of $2,583,498 is scheduled to be made on March 15, 2007. This cash contribution was a result of the economic environment of low interest rates and less than anticipated investment returns. Additionally, participants in the defined benefits plan are eligible to participate in a voluntary supplemental retirement plan, a 403(b) cash contribution plan, where CWRU provides a 50% match to employee contribution, up to 4% of pay. The same investment vehicles available for the faculty plan are also available for this plan. The participation rate of eligible employees is 77% in the voluntary, supplemental plan.

CWRU's pension costs for both pension and supplement plans for Fiscal Year 2006 totaled $25.2 million.

Enrollment

CWRU enrollment is composed predominantly of graduate and professional students with approximately 43% of the students (full-time and part-time) enrolled in undergraduate programs. The total of full-time and part-time students is 9,592 for Fall 2006, with an additional 335 students from the Cleveland Institute of Music enrolled at CWRU through the joint music program.

CWRU's students come primarily from the United States, although CWRU has students from nearly 80 other countries, with more than 100 each coming from India, China and European countries. CWRU has students from all 50 states and the District of Columbia, but the states of Ohio, Pennsylvania, New York, Michigan, California, Illinois, Maryland, New Jersey, and Massachusetts account for most of CWRU's American students. In the undergraduate programs, approximately 53% of CWRU's students are from Ohio.

The fall full-time equivalent ("FTE") student enrollments by major program jurisdiction are shown below for the past five academic years.

FTE STUDENTS

	2006-07	2005-06	2004-05	2003-04	2002-03
Undergraduate	3,932	3,792	3,340	3,405	3,257
Graduate	1,486	1,563	1,599	1,578	1,519
Professional:					
Dental Medicine	319	317	310	314	311
Law	712	719	732	744	725
Management	550	642	615	716	803
Medicine	630	600	580	553	540
Nursing	276	278	281	226	196
Applied Social Sciences	278	288	270	244	235
Total	8,183	8,199	7,727	7,780	7,586

Throughout the past decade there has been strong interest in CWRU programs. The following information pertains to the classes entering in Summer and Fall 2006. (School of Nursing figure are for 2005)

Student Type	Applications Received	Admittance Granted	Admitted/ Applied	Enrolled	Enrolled/ Admitted	Test Scores
Undergraduate	7,508	5,002	67%	1,015	20%	Note 1
Graduate	3,491	1,078	31%	432	40%	Note 2
Professional:						
Management	733	481	66%	238	49%	Note 3
Applied Social Sciences	364	330	91%	173	52%	Note 4
Law	2,798	846	30%	281	33%	Note 5
Dental Medicine	3,393	271	8%	93	34%	Note 6
Nursing	442	241	55%	160	66%	Note 7
Medicine	6,288	502	8%	174	35%	Note 8

Notes:

1. Undergraduates: SAT scores for the middle 50% of the enrolled class for Fall 2006 were 600-700 Critical Reading, 630-730 Math, 590-680 Writing.
2. Graduate Studies: Reporting one average for all graduate programs would not be meaningful since scores vary widely among disciplines. In addition, not all departments require the GRE.
3. Management: The average GMAT score for students entering the full-time MBA program in Fall 2006 was 613.
4. Applied Social Sciences: Applicants to the M.S.S.A. program are not required to submit test scores unless their cumulative undergraduate grade point average is below 2.7.
5. Law: The median LSAT score for the class entering the J.D. program in Fall 2006 was 159.
6. Dental Medicine: There are two parts to the Dental Admission Test (DAT): for the class entering Fall 2006, the Academic average was 19.36 and the Perceptual Ability Test (PAT) average was 18.50.
7. Nursing (N.D., M.S.N.): Average scores are not calculated.
8. Medicine: The average Medical College Admission Test (MCAT) score for students entering Fall 2006 was Verbal 10.48, Biological Sciences 11.26, and Physical Sciences 11.43.

CWRU's undergraduate students and applicants have been strongly interested in engineering and science programs (60% of the course work taken by students is in these fields) for many years. CWRU has traditionally had a highly "self selected" applicant pool. A high percentage of the applicants over the past five years have been admissible and admitted. A history of undergraduate applicants is reported below, along with a measure of their academic strength.

Academic Year	Applications Received	Admitted Applications	Freshmen Enrolled	Combined SAT Scores of the Middle 50% of Enrolled Freshmen
2006-07	7,508	5,002	1,015	1240-1410
2005-06	7,181	4,916	1,162	1260-1420
2004-05	5,493	3,875	784	1220-1410
2003-04	4,680	3,525	878	1240-1420
2002-03	4,428	3,447	836	1220-1420

CWRU annually awards degrees at the baccalaureate, master and doctoral level, as shown below for the last five academic years.

Academic Year	Baccalaureate	Master	M.D. & D.M.D. N.D. & J.D. & E.D.M.	Ph.D.
2005-06	773	1,005	491	190
2004-05	705	1,056	460	189
2003-04	790	1,075	465	188
2002-03	724	1,230	406	166
2001-02	735	1,283	424	166

While the number of high school graduates is projected to increase through the year 2009, competition among colleges and universities for the top students is expected to remain intense. Although CWRU believes that stable demand for its educational programs will continue, no assurance can be given that it will do so. A material decrease in CWRU's enrollment could adversely affect CWRU's consolidated financial position.

CERTAIN FINANCIAL AND RELATED MATTERS

Summarized Financial Information

CWRU's financial accounts are maintained in accordance with accounting principles generally accepted in the United States employed by institutions of higher education. CWRU accounts for its financial position and activities by grouping them into three classes of net assets, based on donor restrictions: unrestricted, temporarily restricted and permanently restricted.

Audited consolidated financial statements as of and for Fiscal Year 2006 are attached to this Offering Circular as Appendix B and should be read in their entirety for more complete information concerning CWRU's consolidated financial position, changes in net assets and cash flows.

Set forth below are summaries of CWRU's History of Operations for the Fiscal Years 2002-2006. These summaries have been prepared based on information taken from CWRU's audited consolidated statements of activities.

HISTORY OF OPERATIONS
(dollars in thousands)

	Fiscal Year				
	2006	2005	2004	2003	2002
OPERATING REVENUES					
Tuition and Fees (net of student aid)	$139,091	$125,996	$117,064	$111,807	$104,646
Endowment Income	75,209	81,070	80,528	79,041	68,659
Grants and Contracts	253,769	253,438	254,615	217,656	202,014
CCLM Grants and Contracts	86,075	68,382	24,110	0	0
Gifts and Pledges	42,908	55,373	53,838	33,377	40,631
State Appropriation	3,900	3,962	4,231	5,143	5,137
Indirect Cost Recovery	67,045	66,612	67,491	60,408	56,480
Organized Activities	9,019	8,677	7,768	7,337	7,077
Other Sources	31,267	13,296	10,089	22,165	13,266
Auxiliary Services	31,554	25,884	26,987	23,482	22,421
TOTAL OPERATING REVENUES	$739,837	$702,690	$646,721	$560,416	$520,331
OPERATING EXPENSES					
Instructional	$242,435	$208,740	$196,708	$187,483	$167,364
Sponsored Research and Training	232,730	226,766	211,782	190,511	187,053
CCLCM Grants and Contracts	86,075	68,382	24,110	0	0
Other Sponsored Projects	33,651	42,102	37,501	22,384	23,450
Libraries	20,708	19,796	17,689	17,314	16,992
Student Services	20,719	20,695	18,451	16,717	14,934
University Services	84,975	94,100	89,197	89,551	69,949
Auxiliary Enterprises	58,742	39,350	41,104	34,128	33,860
TOTAL OPERATING EXPENSES	$780,035	$719,931	$636,542	$558,088	$513,602
NET OPERATING REVENUES (DEFICIT)	($40,198)	($17,241)	$10,179	$2,328	$6,729

Management Discussion and Analysis

Fiscal Year 2006 marked another period of significant transition for CWRU, presenting both opportunities and challenges. The lesson learned was that CWRU's foundation of financial stability, academic excellence and organizational genius remains strong. And while the statement of activities showed the largest gap in recent years, albeit most of it planned, CWRU's financial foundation as measured by its balance sheet demonstrates the institution's fundamental strength.

The budgetary challenges of recent years continued in Fiscal Year 2006. The cost of research and education, and the facilities that support them, remains high. Operating revenue sources are growing at a slower rate than the underlying expenses and are generally constrained by a reliance on federal research, endowment support and unrestricted gifts. This has led to a structural imbalance in the operating budgets. Faced with the prospect of further financial uncertainties, the entire campus community came together to devise a plan to stabilize revenue sources and to drastically reduce expenses in order to achieve a balanced budget by Fiscal Year 2008. In a matter of several months, the plan was developed, approved and implemented. The resulting operating budget for Fiscal Year 2007 shows a significantly lower planned deficit – a remarkable accomplishment by our faculty, staff, senior leadership and trustees.

Fiscal Year 2006 ended with over $2.9 billion in total assets, an increase of $137.2 million (4.9%) over the prior year, as a result of the capitalization of construction projects and investment-related activities. Total liabilities increased $39.7 million (4.7%) due principally to an increase in notes and bonds payable and securities lending activities.

CWRU's outstanding endowment performance contributed to a $97.5 million (5.0%) increase in total net assets. The pooled endowment generated a total return of 14.3%, which was slightly below the first quartile of the Cambridge Associates' College and University endowment universe for the Fiscal Year. The pool also had competitive returns over longer time frames, generating compounded annual total returns of 15.6% and 9.2% for the three and five year periods ended June 30, 2006. This performance places CWRU in either the first or second quartile for all reporting periods. The combined endowment generated a total return of 13.2% in Fiscal Year 2006, which was slightly below the 13.8% policy benchmark approved by the Investment Committee of the Board.

The outstanding investment performance was tempered by the ongoing decline in new gifts to the endowment. New endowment gifts in Fiscal Year 2006 totaled only 2.3% of the market value, a trend that has considerable ramifications in terms of the endowment's ability to support future operations. While CWRU continued to develop a recovery plan for our development success, total gifts and pledges per the statement of activities declined by 22.5% in Fiscal Year 2006. The investment portfolio's strong performance, if coupled with the generous support and deep commitment of alumni and friends, can significantly enhance the financial base that sustains CWRU.

Total operating revenues in Fiscal Year 2006 increased 5.3%, driven predominantly by tuition, research activities and other income. Operating expenses increased 8.3%. The increase in expenses can be attributed to spending on faculty recruitment and other strategic initiatives, but also to growth in interest and depreciation expense.

The majority of the sponsored research support, which provided 55% of CWRU's operating revenue, comes from various agencies of the federal government, most notably the National Institutes of Health.

Following major efforts during the year to bring parity between revenue and expense, CWRU continues to evaluate its operations to ensure that resources are directed toward top priorities. CWRU has responded to the increasing demand for financial accountability and central coordination of university-wide planning efforts. Over the course of Fiscal Year 2006, CWRU embarked on a long-term financial planning process, which led to the Fiscal Year 2007 budget. Using an integrated resource planning model, a new operating forecast was created through Fiscal Year 2015 that will enable CWRU leadership to continuously assess the institution's overall financial health.

The Village at 115, which includes 750 new student apartments, new athletic facilities and a 1,200 car parking garage, opened last August. The $130 million project provided jobs for hundreds of local residents, and many of the materials were procured locally. The Village at 115 combines traditional collegiate elements with exciting modern features; it also represents an innovative step forward with its environmentally-friendly design. CWRU continued its ongoing investment in research facilities and major maintenance projects, most notably the completion of the Structural Biology and Wright Centers and the Law School library renovation project.

The completion of CWRU's first integrated campus master plan in October 2005 provides a comprehensive blueprint to ensure that the integrity of the campus physical environment will be preserved for decades to come. It also lays the groundwork for our capital investment and future campaign priorities.

Significant initiatives were undertaken to curb energy costs and to expand the commitment to sustainability in Fiscal Year 2006. A comprehensive, state-of-the-art energy conservation plan was implemented by successfully integrating mechanical and technical energy savings opportunities along with behavioral awareness. This resulted in a major reduction in campus-wide energy consumption, virtually offsetting the significant rise in the energy costs.

The financial realities of CWRU in many ways are similar to any academic research enterprise. This year was especially difficult as we worked to address tough budgetary issues. Emerging from a major expense reduction effort, CWRU intends to shift its attention to revenue generation. CWRU's financial future depends on many things – consistent improvement in revenue trend lines, especially gift revenues; better alignment of CWRU's operations with its long-term vision in areas of core competencies; the success of the new approach to integrated resource planning; the ability to better prioritize initiatives to ensure that scarce resources are allocated to the areas of greatest potential impact; and above all, management stability. Despite this year's challenges, protecting its mission remains CWRU's highest priority.

Tuition and Fees

The following sets forth the tuition and fees (including health fees) charged by CWRU to entering students for each of the most recent five academic years (including the current year):

	2006-07	2005-06	2004-05	2003-04	2002-03
Tuition:					
Medical (1)	$39,272	$37,944	$37,200	$36,500	$35,000
Dental (2)	42,500	42,180	37,650	34,860	30,735
Management	32,990	30,500	29,040	28,440	26,460
Law	33,300	31,800	28,200	26,900	25,900
Applied Social Sciences	28,100	26,700	25,400	24,100	21,840
Undergraduate and All Other	30,240	28,400	26,500	24,100	22,500
Room & Board (3)	9,680	9,036	8,202	7,660	7,150
Activity Fee Undergraduate	248	228	212	192	180

(1) Tuition for the M.D. program was set at a fixed, four-year rate for the classes entering from 1997-98 through 2004-05. Effective in 2005-06, the rate is not locked.

(2) Tuition for the D.M.D. program was set at a fixed, four-year rate for the classes entering in 2003-04 and 2004-05. Effective in 2005-06, the rate is not locked.

(3) Room and board is the rate for a double room and amounts for 2002-03 and subsequent years include a $400 technology fee.

CWRU's total tuition revenue, including admission fees and laboratory fees, for each of the five most recent Fiscal Years is set forth below:

Fiscal Year	Total Tuition Revenue
2006	$228,752,000
2005	203,062,000
2004	190,220,000
2003	175,933,000
2002	163,432,000

For Fiscal Year 2006, CWRU met approximately 32% of the costs of its educational and general expenses through tuition.

Student housing, food service and health service operations are self-sustaining auxiliary enterprises.

Effective Fall 2005, CWRU has a two-year residency requirement. First- and second-year students who do not live with their parents must live in a CWRU residence hall or a CWRU-recognized fraternity or sorority.

Accommodations include single and double rooms as well as apartment-style housing. The rates included in the table above are for double rooms. In Fall 2006, 3,038 of the 3,350 available beds in residence halls and university-owned Greek housing were occupied, for an occupancy rate of 90.7%. Average occupancy of available beds has been in the 90-95% range for the last five years.

CWRU currently does not offer on-campus housing for graduate and professional students, but the campus master plan includes options designed specifically for graduate and professional students and their families in the upcoming years.

All undergraduate residents in CWRU housing are required to participate in one of the four meal plans offered by CWRU. Graduate and professional students may participate in CWRU meal plans if they desire. The room and board rates in the table above include a 19-meal plan plus 75 dining dollars per semester.

All students registered for at least one credit hour are required to participate in a plan that entitles the student to use the University Health Service and to coverage under the Student Medical Plan. A student is charged a medical plan fee in addition to tuition and other fees unless the student shows proof of coverage by a comparable insurance plan.

The student activity fee is used to support undergraduate student organizations and activities of a social and recreational nature. The technology fee is charged to all residential students and helps to fund improvement to the computer network serving residence halls and Greek housing.

CWRU reserves the right to make changes in the charges at the beginning of any semester by publication of the new rates for tuition and the activity fee at least three months in advance. Although CWRU believes that it would be able to raise tuition and fees without adversely affecting its future enrollment, there can be no assurance that it will be able to do so. Future economic and other conditions may affect CWRU's ability to increase its tuition and fees.

Financial Aid

During Fiscal Year 2006, CWRU provided $101.3 million in grant assistance to CWRU students to help support educational costs. Approximately 37.3% of this support was from restricted sources, including the State, the federal government, gifts and scholarship endowment income. CWRU committed unrestricted operating funds to make up the balance.

In addition to grant assistance for Fiscal Year 2006, CWRU provided, arranged for or assisted students in obtaining loans of $80.75 million of which federal sources were $55.81 million. Undergraduate, graduate and professional students also were provided work opportunities throughout CWRU and earned $33.39 million.

There is no assurance that the current level of state and federal support for student financial aid will be maintained in future years. This support comes to CWRU in three forms -- grants to students based upon need, research and training support and access to loan funds. Federal and state grant funds are limited in the most part to undergraduates. Any reduction in these funds would be offset by other institutional funds and/or external private funds. Research and training support for graduate and professional students continues to be strong and proposed changes by federal sources are generally known and planned for prior to the affected year.

Budgeting and Financial Management

Academic programming and planning, budgeting and financial management are conducted within a decentralized structure of nine management centers. These include the College of Arts and Sciences, the School of Engineering, CWRU's six professional schools and University General.

Financial planning begins in the fall each year with a review of institutional and school priorities. During this period, program priorities of the schools and the university are evaluated in context with financial assumptions about tuition rates, inflation, endowment yields and related issues.

The formal budgeting process for the succeeding Fiscal Year begins in the previous winter. The Budget Office, working with senior administrative officers and management center deans, makes estimates of enrollment and major income and expense categories. Recommended tuition and room and board rates are developed, reviewed with the Faculty Senate Budget Committee and then recommended for approval by the Trustee Finance Committee and then by the Board in December. Other CWRU guidelines are developed centrally, including salary increases, fringe benefit rates and spendable endowment income. These guidelines are transmitted to the deans and administrative officers who prepare detailed budgets for their areas of responsibility. These are collected, reviewed and consolidated into a University budget by the Budget Office, reviewed by the senior administrative officers and the Faculty Senate Budget Committee, revised where necessary, and submitted for approval to the Trustee Finance Committee and the Board at its June meeting.

General fiscal control is exercised on a daily basis through the Controller. At the end of each quarter, each dean and each responsible administrative officer prepares a budget forecast. These forecasts are reviewed by the Budget Office and reviewed with administrative officers. Corrective action is taken with each dean or responsible administrator as may be appropriate to ensure that CWRU operates within budget limits and/or available income. CWRU Administration reports quarterly to the Board on the status of performance against budget.

Gifts, Grants and Bequests

CWRU received $73.3 million in new gifts and pledge commitments during Fiscal Year 2006. CWRU received $65.5 million in cash and cash equivalent gifts. Strategic gifts and grants were received to support scholarships, professorships, the Inamori Center for Ethics and Excellence, the Student Center, and the CWRU Medical School Learning Center Tower.

In addition, during Fiscal Year 2006, CWRU was awarded $374.4 million in research, training and career grants from various funding sources, principally the National Institutes of Health ($246.3 million). Awards from industry totaled $10.4 million, non-profit organizations contributed $50.0 million, other federal agencies made grants of $49.9 million, and state/other non-federal government sources totaled $17.8 million.

CWRU Endowment Assets

The total market value of CWRU's consolidated endowment assets as of June 30, 2006 was $1,621.4 million. This includes the pooled endowment of $1,241.0 million, funds held in trust of $295.4 million, unpooled endowment of $62.2 million and net deferred gifts of $22.8 million. In accordance with the net asset reporting requirements of Statement of Financial Accounting Standards Nos. 116 and 117, unrestricted, temporarily restricted and permanently restricted net assets totaled $873.2 million, $0.1 million and $748.1 million, respectively.

The following table summarizes the market value of CWRU's Combined Endowment and Pooled Endowment assets (as of June 30) for the Fiscal Years 2002 through 2006 and the total annual (one-year) return on Pooled Endowment assets, including dividends, interest and realized and unrealized gains, for each Fiscal Year. The Pooled Endowment includes the endowment funds actively managed by CWRU's Investment Office. The Combined Endowment includes the Pooled Endowment as well as other endowment funds either managed by trustees unrelated to CWRU or invested by CWRU pursuant to agreements with donors or otherwise that specify the investments of those funds.

Fiscal Year	Market Value of Combined Endowment (millions)	Market Value of Pooled Endowment (millions)	Total Annual Return on Pooled Endowment
2006	$1,621.4	$1,241.0	14.3%
2005	1,547.0	1,172.4	14.6
2004	1,471.5	1,073.1	17.8
2003	1,316.0	949.9	3.0
2002	1,347.1	959.4	(2.2)

Endowment Spending Policy

Distributions of CWRU's endowment assets are governed by a combination of spending policies covering the various endowment components. Distributions from the pooled endowment (which represents approximately 75% of the total endowment) are governed by a policy that caps spending at 5.5% of the trailing four-year average market value of the fund. Distributions from funds held in trust (which represents approximately 18% of the total endowment) are based on the interest income and dividends generated by those trusts. All other endowments (which represent approximately 5% of the total endowment) are governed by a variety of market value-based spending policies established primarily by the donors. Further, due to various donor restrictions on how endowments may be spent, all endowment distributions are not necessarily used in the year that they are distributed. Such unused distributions are carried in designated operating funds until such time that the restrictions are met. The table below presents Combined Endowment distributions and amounts used as a percentage of the beginning market value (BMV) of CWRU's total Combined Endowment for the respective Fiscal Year.

	Combined Endowment Distributions		Combined Endowment Amounts Used	
Fiscal Year	(millions)	% of BMV	(millions)	% of BMV
2006	$74.8	4.84%	$75.2	4.86%
2005	72.8	4.95	81.1	5.51
2004	72.1	5.48	80.5	6.12
2003	70.5	5.23	79.0	5.86
2002	69.9	4.87	68.7	4.79

Financial Obligations

The total outstanding indebtedness of CWRU as of June 30, 2006 was approximately $619.3 million, of which approximately $554.6 million consisted of obligations issued by the Commission for which CWRU was obligated to pay debt service. See Note E to the audited consolidated financial statements of CWRU attached to this Offering Circular as Appendix B. CWRU is a party to interest rate swaps entered into to manage interest rate risk associated with variable rate debt. See Note J to the audited consolidated financial statements of CWRU attached to this Offering Circular as Appendix B. Total actual debt service of CWRU for Fiscal Year 2006 was approximately $66.8 million.

CWRU has no known material contingent liabilities or unrecorded commitments.

APPENDIX B

CASE WESTERN RESERVE UNIVERSITY FINANCIAL STATEMENTS

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CASE

CASE WESTERN RESERVE UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

Case Western Reserve University
Financial Statements for the Year Ending June 30, 2006

Contents

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Trustees
Case Western Reserve University:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Case Western Reserve University (the "University") as of June 30, 2006, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2005 financial statements, and in our report dated October 12, 2005, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

October 20, 2006

CASE WESTERN RESERVE UNIVERSITY
Consolidated Balance Sheet
June 30, 2006 and 2005
(in thousands)

	June 30, 2006	June 30, 2005
Assets		
Cash and temporary investments	$ 111,907	$ 61,954
Accounts and loans receivable, net	130,229	127,340
Securities pledged under lending agreements	91,812	50,578
Pledges receivable, net	67,272	63,237
Prepaid expenses and other assets	15,116	15,948
Intangible pension assets	2,028	2,493
Investments	1,395,630	1,419,948
Property, plant, equipment and books, net	822,029	770,906
Funds held in trust by others	295,404	281,778
Total assets	$ 2,931,427	$ 2,794,182
Liabilities		
Accounts payable and accrued expenses	$ 55,788	$ 67,467
Deferred income and other liabilities	27,825	26,718
Payable under securities lending agreements	93,874	52,530
Annuities payable	51,685	49,995
Refundable advances	8,423	7,785
Minimum pension liability	7,509	24,811
Notes and bonds payable	619,263	594,234
Refundable federal student loans	17,271	18,395
Total liabilities	881,638	841,935
Net Assets		
Unrestricted	1,202,264	1,127,435
Temporarily restricted	46,921	40,284
Permanently restricted	800,604	784,528
Total net assets	2,049,789	1,952,247
Total liabilities and net assets	$ 2,931,427	$ 2,794,182

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

CASE WESTERN RESERVE UNIVERSITY

Consolidated Statement of Activities

For the Year Ended June 30, 2006

with summarized financial information for the year ended June 30, 2005

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2006	Year Ended June 30, 2005
Operating revenues					
Student tuition and fees	$ 228,752			$ 228,752	$ 203,062
Less: Student aid	(89,661)			(89,661)	(77,066)
	139,091			139,091	125,996
Endowment income	74,874		$ 335	75,209	81,070
Grants and contracts	253,769			253,769	253,438
CCLCM grants and contracts	86,075			86,075	68,382
Gifts and pledges	21,473	$ 18,508	2,927	42,908	55,373
State of Ohio appropriation	3,900			3,900	3,962
Facilities and administrative cost recovery	67,045			67,045	66,612
Organized activities	9,019			9,019	8,677
Other sources	30,853		414	31,267	13,296
Auxiliary services	31,554			31,554	25,884
Net assets released from restrictions	12,142	(11,871)	(271)	-	-
Total operating revenues	729,795	6,637	3,405	739,837	702,690
Operating expenses					
Instructional	242,435			242,435	208,740
Sponsored research and training	232,730			232,730	226,766
Other sponsored projects	33,651			33,651	42,102
CCLCM research and training	86,075			86,075	68,382
Libraries	20,708			20,708	19,796
Student services	20,719			20,719	20,695
University services	84,975			84,975	94,100
Auxiliary enterprises - students	32,878			32,878	23,947
Auxiliary enterprises - others	25,864			25,864	15,403
Total operating expenses	780,035	-	-	780,035	719,931
Net operating (deficit) revenues	(50,240)	6,637	3,405	(40,198)	(17,241)
Non-operating revenues and expenses					
Investment and other income	113,296		12,248	125,544	37,964
Net appreciation in the fair market value of investments	3,420		710	4,130	52,500
Actuarial adjustment to annuity payable			(287)	(287)	1,492
(Loss) gain on disposal of plant assets	(797)			(797)	778
Disposal of interest in subsidiary				-	(398)
Adjustment for minimum pension liability	16,837			16,837	(14,739)
Non-operating revenues, net	132,756	-	12,671	145,427	77,597
Increase in net assets before effect of accounting change	82,516	6,637	16,076	105,229	60,356
***Cumulative effect of change in accounting* principle**	(7,687)			(7,687)	-
Increase in net assets	74,829	6,637	16,076	97,542	60,356
Beginning net assets	1,127,435	40,284	784,528	1,952,247	1,891,891
Ending net assets	$ 1,202,264	$ 46,921	$ 800,604	$ 2,049,789	$ 1,952,247

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

CASE WESTERN RESERVE UNIVERSITY
Consolidated Statement of Cash Flows
For the Years Ended June 30, 2006 and 2005
(in thousands)

	Year Ended June 30, 2006	Year Ended June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 97,542	$ 60,356
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Cumulative effect - change in accounting principle	7,687	-
Depreciation	55,984	40,675
Net unrealized appreciation in the fair market value of investments	(4,130)	(52,500)
Realized gains on investments	(79,932)	(36,368)
Increase (decrease) to annuities payable resulting from actuarial adjustments	287	(1,492)
Gifts of property and equipment	(40)	(516)
Loss (gain) on disposal of plant assets	797	(778)
Contributions restricted for long-term investment	(8,277)	(24,763)
Increase in accounts and notes receivable, net	(4,120)	(4,017)
(Increase) decrease in contributions receivable, net	(4,035)	1,965
Decrease (increase) in prepaid expenses and other assets	832	(2,633)
Decrease in intangible pension assets	465	467
Increase in funds held in trust by others	(13,626)	(9,146)
(Decrease) increase in accounts payable and accrued expenses	(11,679)	10,174
(Decrease) increase in deferred income and other liabilities	(5,071)	3,159
Increase (decrease) in refundable advances	638	(2,106)
(Decrease) increase in minimum pension liability	(17,302)	14,272
Net cash provided by (used for) operating activities	16,020	(3,251)
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans collected	8,509	6,568
Student loans issued	(7,278)	(8,282)
Proceeds from the sale of investments	2,561,991	2,185,394
Purchase of investments	(2,453,611)	(2,116,463)
Proceeds from the sale of buildings and land	4,809	6,890
Purchase of property, plant, equipment and books	(114,182)	(153,583)
Net cash provided by (used for) investing activities	238	(79,476)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in federal advances for student loans	(1,124)	(904)
(Increase) decrease in securities pledged under lending agreements	(41,234)	21,341
Increase (decrease) in payables under securities lending agreements	41,344	(21,509)
Contributions restricted for long-term investment	8,277	24,763
Proceeds from bond issues and long-term debt	68,176	30,000
Repayment of debt	(43,147)	(5,683)
Withdrawals from (payments on) annuities payable	782	(3,269)
Increase to annuities payable resulting from new gifts	621	27,319
Net cash provided by financing activities	33,695	72,058
Net increase (decrease) in cash and cash equivalents	49,953	(10,669)
Cash and cash equivalents, beginning of year	61,954	72,623
Cash and cash equivalents, end of year	$ 111,907	$ 61,954
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES		
Construction in progress payments included in accounts payable	$ 3,553	$ 186
Effect of FIN 47 included in deferred income and other liabilities	8,600	-
Effect of FIN 47 included in purchases of property, plant and equipment	2,062	-

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

Part 2 – Summary of Significant Accounting Policies and Terms

This part explains the accounting practices the University uses in its consolidated financial statements.

Basis of Accounting Presentation

The consolidated financial statements use the accrual basis of accounting. These statements include the accounts of the University, Triangle Residential LP and Triangle Residential LLC.

Triangle Residential LP is a limited partnership formed in 2005 that owns and operates two apartment buildings, a parking garage and a commercial structure located in the Ford-Euclid-Mayfield Road area. The University is the sole limited partner. The general partner is Triangle Residential LLC, a wholly owned subsidiary of the University, also formed in 2005. The University, through Triangle Residential LP, plans to operate the properties pending finalization of plans to develop a university arts and retail district in the area.

Net Asset Categories

The consolidated financial statements present information about the University's financial position and activities using three categories of net assets:

- **Unrestricted net assets** have no donor-imposed restrictions. They are available for any purpose consistent with the University's mission.
- **Temporarily restricted net assets** are subject to specific donor-imposed restrictions that must be met by University actions or through the passage of time.
- **Permanently restricted net assets** are subject to donor-imposed restrictions that the University must honor in perpetuity. Usually, donors allow part or all of the income to be used for a designated purpose.

Cash and Temporary Investments

Investments with a maturity of three months or less when purchased are reported as temporary investments (i.e., cash equivalents) unless they are part of long-term investment pools.

Investments

Investments are stated at fair value. The fair value of all debt and equity securities with readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. Realized gains and losses on investments are included in investment income. Average cost is generally used to determine gains or losses on securities sold. Unrealized changes in the fair market value of investments are shown as net unrealized appreciation or depreciation.

Contributions

Contributions (including unconditional pledges) are recognized as either temporarily restricted or permanently restricted net assets when donors' commitments are received. Conditional pledges become revenue when the conditions are substantially met. Gifts whose restrictions are met in the same fiscal year in which they are received are reported with unrestricted contribution revenues.

Grants and Contracts (Government and Private)

Revenues from government and private grants and contracts are recognized as earned in accordance with the terms of the contract. Any government revenue received before it is expended is recorded as a refundable advance. Expenses incurred for government grants before revenue is received are recorded as receivables.

Collections

The University's collections of historically significant artifacts, scientific specimens, and art objects are held for education, research, scientific inquiry, and public exhibition. Therefore, their value is not reflected in the University's financial statements.

Funds Held in Trust by Others

Funds held in trust by others are assets held and administered by outside trustees from which the University derives income or residual interest. Funds held in trust by others are reported at their market value as of June 30, 2006, which approximates the present value of the future income flows from these funds.

Allocation of Certain Expenses

The statement of activities presents expenses by function. Some expenses – such as depreciation, amortization, and expenses related to the operation of the physical plant – are allocated by square footage. Interest expense is allocated to the functions that derive the greatest benefit from the facilities financed.

Use of Estimates

Financial statements using accounting principles generally accepted in the United States of America rely on estimates. At June 30, management makes certain estimates and assumptions, which affect assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results may differ from these estimates.

Comparative Information

The statement of activities includes prior year summarized comparative information in total, but not by net asset category. Such information does not include enough detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ending June 30, 2005, from which it was derived. Certain reclassifications have been made to the summarized financial information for comparative purposes.

Income Taxes

The University is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

Part 3 – Notes

These notes clarify and amplify data in the financial statements. Unless otherwise indicated, all dollar values are listed in thousands as of June 30.

NOTE A Accounts and Loans Receivable

Accounts and loans receivable are as follows:

	2006	2005
Accounts receivable, net:		
Grants, contracts and others	$ 80,132	$ 75,513
Students	7,464	7,962
Student loans, net	42,633	43,865
	$ 130,229	$ 127,340
Allowances for doubtful accounts:		
Accounts receivable	$ 10,867	$ 5,881
Loans receivable	$ 1,938	$ 1,745

NOTE B Pledges Receivable

Unconditional pledges are expected to be realized in the following periods:

	2006	2005
In one year or less	$ 31,363	$ 24,298
Between one year and five years	32,566	36,341
More than five years	15,532	15,120
	79,461	75,759
Less: Discount	(5,459)	(6,127)
Less: Allowance	(6,730)	(6,395)
	$ 67,272	$ 63,237

Pledges receivable have been made for the following purposes:

	2006	2005
Department programs and activities	$ 26,346	$ 20,096
Endowments for scholarships and department programs and activities	18,386	18,442
Building construction	22,540	24,699
	$ 67,272	$ 63,237

Uncollectible pledges totaling $2,728 (2006) and $11,951 (2005) are included in University Services expense.

NOTE C
Investments

Investments (except funds held in trust by others) are as follows:

	2006	
	Fair Market Value	Cost
Short-term investments	$ 61,591	$ 61,591
Domestic stocks	182,199	146,590
International securities	226,383	175,284
Bonds		
• U.S. Government	54,445	55,064
• Corporate	140,195	142,536
Mutual funds	118,435	112,077
Limited partnerships and other	574,548	485,396
Equity real estate	37,834	35,042
Total	$ 1,395,630	$ 1,213,580

	2005	
	Fair Market Value	Cost
Short-term investments	$ 57,575	$ 57,575
Domestic stocks	219,983	166,749
International securities	225,977	179,668
Bonds		
• U.S. Government	124,085	125,297
• Corporate	126,722	123,847
Mutual funds	124,673	114,854
Limited partnerships and other	503,220	439,286
Equity real estate	37,713	34,750
Total	$ 1,419,948	$ 1,242,026

Included in the University's cash and investments are **unexpended bond proceeds**. These funds are temporarily held by trustees under the bond indenture for future capital expenditures. The proceeds are invested in cash, U.S. government and corporate bonds and mutual funds. The fair value of these assets totaled $96,410 (2006) and $144,530 (2005).

The University's **spending policy** determines the amount of endowment income to be used as operating revenue and distributed for spending during the year. Distributions in excess or deficit of amounts actually earned are transferred to or from the endowment pool, honoring any donor restrictions. The fiscal 2006 endowment and similar funds distribution of $2.00 per unit totaled $59,271, of which $46,022 was accumulated realized gains. For fiscal 2005, the distribution of $1.98 per unit totaled $57,682, of which $44,248 was accumulated realized gains.

NOTE C
Investments
(continued)

Certain endowment and similar fund assets are pooled for efficient investment purposes. The unit market value for each pool is used to account for **pooled transactions.** The unit market values are $41.41 (2006) and $39.80 (2005).

As a result of **market declines**, the fair market values of certain donor-restricted endowments fell below the level required by donor stipulations or law by $374 (2006) and $322 (2005). These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency.

Investments in stocks, bonds, mutual funds, and other investments are exposed to a variety of uncertainties, including interest rate, market fluctuation, and credit risks. Due to the **level of risk** associated with certain investments, the value of these investments could change. Such changes could materially affect the amounts reported in the financial statements.

Investment strategies employed by outside managers incorporate the use of financial instruments with off-balance sheet risk. These financial instruments include international investment funds with underlying equity interests as well as forward and futures contracts that are subject to foreign currency translation gains and losses. Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the financial position of the University; however, there can be no assurances.

The University is obligated under certain limited partnerships and similar agreements to provide future funding for further investment. The University had **unfunded commitments** of approximately $218,629 (2006) and $196,787 (2005) that are likely to be called in the future.

The University has a **securities lending** agency agreement for the purpose of lending securities held or beneficially owned by the University. Under this agreement, the University's agent receives collateral in the form of cash or U.S. government securities in exchange for loaning securities to approved borrowers. The agent invests these funds on behalf of the University until the securities are returned. The amount of collateral required for securities traded principally in the United States is equal to 102% of the market value of the securities borrowed. For securities traded principally outside the United States, the amount of collateral required is 105%. The fair value of securities on loan is $91,812 (2006) and $50,578 (2005). The fair value of collateral received is $93,874 (2006) and $52,530 (2005). Cash collateral is reflected in the cash and temporary investments balance.

NOTE D Property, Plant, Equipment, and Books

Property, plant, equipment, and library books are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of 28 years for buildings, 5 to 12 years for equipment, and 10 years for books.

Components of property, plant, equipment, and books are as follows:

	2006	2005
Land and land improvements	$ 38,838	$ 36,539
Building and building improvements	963,362	766,646
Equipment and software	192,673	141,421
Library books	29,770	29,688
Construction-in-progress	60,093	207,289
	1,284,736	1,181,583
Less: accumulated depreciation	(462,707)	(410,677)
	$ 822,029	$ 770,906

The above assets include $429,525 leased from the Ohio Higher Education Facility Commission (OHEFC). The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. Also included in the University's financial statements is the obligation for related bonds issued by the OHEFC.

NOTE E
Bonds and Notes Payable

Bonds and notes payable are as follows:

	Interest	Maturity	2006	2005
Ohio Higher Education Facilities Commission revenue bonds and notes:				
Series 1988	7.85 - 7.90%	2009-2013	$ 21,464	$ 19,868
Series 1990	6.50 - 7.15%	2006-2020	12,066	12,128
Series 1994	6.00 - 6.25%	2014-2018	20,000	20,000
Series 1997	4.70 - 6.00%	2006-2018	10,120	12,795
Series 1997	5.00 - 5.50%	2006-2017	17,700	20,030
Series 1997	4.90 - 6.25%	2009-2014	8,920	8,920
Series 2001	Variable	2006-2022	17,520	18,755
Series 2002	Variable	2023-2031	64,875	64,875
Series 2002	5.00 - 5.50%	2019-2022	35,125	35,125
Series 2004	2.00 - 5.00%	2006-2034	105,960	107,950
Series 2004	Variable	2008-2044	177,826	177,825
United States government housing bonds:				
Series 1966	3.00 - 3.50%	2006-2016	1,275	1,415
Series 1971	3.00%	2006-2016	1,235	1,335
Ohio Board of Regents note	-n/a-	2006	-	213
Ohio Higher Education Facilities Commission commercial paper	-Various-	-Various-	63,000	63,000
National City Bank commercial note	LIBOR + .25%		13,417	-
Key Bank line of credit	LIBOR + .30%	2007	30,000	30,000
Compass Group USA note	-n/a-	2006-2014	1,200	-
Department of Housing and Urban Development mortgages:				
HUD - Part A	4.96%	2006-2041	13,079	-
HUD - Part B	5.33%	2006-2041	4,481	-
			$619,263	$594,234

The housing bonds are collateralized by securities and pledges of net revenues from the University's student housing and dining facilities.

The Ohio Higher Education Facility Commission (OHEFC) authorized a tax-exempt commercial paper program in February 2000 to provide construction funds for several approved capital projects and to refinance earlier projects. The program authorizes the University to issue up to $63,000 for as long as 30 years. The amount outstanding under this program as of June 30 is $63,000, with maturities not exceeding 270 days from the issuance date. Interest rates for this program averaged 2.95% (2006) and 1.71% (2005).

In November 2004, the University opened a $50,000 line of credit with a financial institution to finance working capital. In November 2005, the line was increased to $100,000. The amount outstanding at June 30 totaled $30,000 (2006) and $30,000 (2005).

NOTE E
Bonds and Notes Payable
(continued)

In August 2005, the University opened a $33,000 commercial note with a financial institution to provide bridge funding for the acquisition, improvement and development of the Triangle properties until a mortgage note could be secured. In May 2006, the terms of this note were amended and restated. The balance due at June 30 was $13,417 (2006).

In January 2006, the University borrowed $17,637 from the Department of Housing and Urban Development (HUD). The proceeds from this loan were used to refund the portion of the commercial note used to acquire the Triangle properties. The HUD loan is in two parts. Part A is in the amount of $13,137 at a fixed annual interest rate of 4.96%. Part B is in the amount of $4,500 at a fixed annual interest rate of 5.33%.

Principal payment requirements for bonds, notes, and capital lease obligations for the next five years, excluding commercial paper, are approximately as follows:

2007 –	$39,311
2008 –	$22,717
2009 –	$8,356
2010 –	$6,421
2011 –	$6,598

Interest payments for fiscal year 2006, including payments for variable rate debt, were $20,595. Interest paid under interest rate swap agreements during fiscal 2006 totaled $253. See Note J.

Certain borrowing agreements require the University to maintain reserves as additional collateral against its borrowings. These agreements also require that the University comply with certain covenants. The University is in compliance with these provisions.

NOTE F
Fair Value of Investments

The University's financial instruments consist principally of cash, temporary investments, accounts and pledges receivable, loans receivable, and long-term investments, as well as obligations under bonds and notes payable. Cash and temporary investments, pledges receivable, investments and other assets are recorded at approximate fair value.

Loans receivable are amounts due from students primarily under federally sponsored programs. Since notes receivable under federal student loan programs are not saleable and can be assigned only to the U.S. government or its designee, it is not practical to determine their fair value.

The fair value of the University's bonds and notes payable is approximately $567,784 (2006) and $580,539 (2005). These values were estimated utilizing the discounted future cash outflows at rates for similar debt.

NOTE G Retirement Plans

The University has both defined benefit and defined contribution pension plans for its employees. The funded status of the University's **defined benefit plan** is as follows:

	2006	2005
Benefit obligation at June 30	$ 83,265	$ 91,584
Fair value of plan assets at June 30	71,399	61,291
Funded status	$ (11,866)	$ (30,293)
Accrued benefit expenses recognized in the balance sheet	$ 2,988	$ 4,896
Accumulated benefit obligation	$ 81,896	$ 90,999

The **weighted-average asset allocation** for the defined benefit plan is as follows:

	2006	2005
Equity securities	65.00%	67.00%
Fixed income securities	16.00%	17.00%
Real estate	17.00%	16.00%
Other	2.00%	0.00%
Total	100.00%	100.00%

The **investment objective** for the defined benefit plan is to maximize total return with tolerance for slightly above average risk. To accomplish this objective, the University has established a broadly-diversified asset allocation strategy that includes equity-oriented investments (approximately 64% weight), real estate (approximately 16%),and fixed-income investments (approximately 20%). The weightings of the investments relative to each other in the total portfolio fluctuate as market conditions vary; they are adjusted as necessary to remain within acceptable ranges.

It is management's intent to give the investment managers flexibility within the overall guidelines with respect to investment decisions and their timing. However, certain investments require specific review and approval by management. Management is also informed of significant modifications of any previously approved investment or anticipated use of derivatives to execute investment strategies.

The **expected long-term rate of return** was estimated using market benchmarks for equities and bonds applied to the plan's target asset allocation. The expected return on equities was computed utilizing a valuation framework, which projected future returns based on current equity valuations rather than historical returns. Management estimated the rate by which the plan assets would outperform the market in the future based on historical experience adjusted for changes in asset allocation and expectations for overall lower future returns on equities compared to past periods.

NOTE G
Retirement Plans
(continued)

The University is required to recognize an additional **minimum pension liability**. Net amounts recognized in the University's balance sheet are as follows:

	2006	2005
Accrued benefit liability	$ (10,497)	$ (29,707)
Intangible asset	2,028	2,493
Accumulated non-operating income	5,481	22,318
Net amount recognized	$ (2,988)	$ (4,896)

Current pension-related charges to non-operating income are as follows:

	2006	2005
Accumulated non-operating income, beginning of year	$ 22,318	$ 7,579
Accumulated non-operating income, end of year	5,481	22,318
Current (credit) charge to non-operating income	$ (16,837)	$ 14,739

The weighted-average assumptions used to determine the University's obligation under the defined benefit plan at June 30 are as follows:

	2006	2005
Discount rate	6.50%	5.25%
Rate of compensation increase	4.50%	4.50%
Census date	7/1/05	7/1/04

Estimated benefits expected to be paid under the defined benefit plan for the next five years are as follows:

2007 –	$2,484
2008 –	$3,369
2009 –	$4,068
2010 –	$3,838
2011 –	$4,084

Amounts expected to be paid between 2012 and 2016 total $27,321. The University's **estimated contribution** for the defined benefit plan in fiscal 2007 is $12,063. This amount may decrease based on the results of the July 1, 2006 actuarial valuation.

NOTE G
Retirement Plans
(continued)

Benefit plan costs for the defined benefit and defined contribution plans are as follows:

	2006	2005
Defined benefit plan		
Benefit cost	$ 5,712	$ 4,064
Employer contributions	7,621	10,183
Benefits paid	2,837	2,150
Defined contribution plan		
Employer contributions	19,444	18,550

The weighted-average assumptions used to determine net periodic benefit cost for the defined benefit plan are as follows:

	2006	2005
Discount rate	5.25%	6.25%
Expected return on plan assets	9.00%	8.50%
Rate of compensation increase	4.50%	4.50%

NOTE H
Commitments and Contingencies

In its normal operations, the University is subject to various claims and lawsuits. In management's opinion, the resolution of these contingencies will not have a significant adverse effect on the University's financial position, operations, or cash flows.

In April 2006, the Boards of University Hospitals Health System and the University approved a new affiliation agreement between the School of Medicine and University Hospitals of Cleveland (UHC). This agreement will significantly strengthen the historical relationship between the entities through the creation of the Case Medical Center, a virtual entity that will encompass certain teaching, research and clinical activities of the School of Medicine and UHC.

In May 2002, the University entered into an agreement with the Cleveland Clinic Foundation (CCF) to form a new medical education and research program, the Cleveland Clinic Lerner College of Medicine (CCLCM). Beginning in 2004, research grants from the National Institutes of Health to support work by CCF-based investigators were awarded to and administered through the University by CCLCM, which operates as an academic unit of the School of Medicine. Expenditures for research conducted under this joint agreement totaled $86,075 (2006) and $68,382 (2005).

The University is self-insured for employee and student medical coverage. Property is commercially insured with an aggregate deductible of $700. The University also carries general liability insurance with a deductible of $100 per occurrence. The University believes its reserves for self-insured risks and the deductible portion of insured risks are sufficient.

NOTE I
Related Party Transaction (Utilities)

In 1998, the University entered into a thirty-year agreement with the Medical Center Company (a cooperative utility company formed by and serving institutions in the University Circle area) to purchase chilled water and other utilities for several University buildings. The amount purchased during fiscal 2006 was $14,860. No obligation associated with this agreement is recorded in the accompanying financial statements.

NOTE J
Derivatives and Other Financial Instruments

The University makes limited use of interest rate swap agreements to manage interest rate risk associated with variable rate debt. Under interest rate swap agreements, the University and its counterparty agree to exchange the difference between the fixed rate and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. Operations are charged the variable rate interest; the difference between the fixed and variable interest amounts under the swap agreements is recorded in non-operating revenues and expenses as investment and other income.

Information related to the long-term interest rate swap agreements to which the University is a party, including the associated OHEFC borrowing where applicable and the asset (liability) recognized in the balance sheet are as follows:

Date of Agreement	OHEFC Borrowing	Notional Amount	Effective Rate	Maturity Date	2006	2005
February 2001	Series 2001	$ 17,520	4.34%	2022	$ (363)	$ (1,745)
May 2002	Series 2002	15,000	4.43%	2022	(744)	(2,366)
September 2002	Series 2002	15,000	3.60%	2022	580	(871)
October 2003	Series 2004	35,000	3.81%	2034	794	(3,577)
March 2004	Series 2004	60,000	2.46%	2009	2,115	1,216
March 2004	Series 2004	20,000	1.92%	2007	285	333
March 2004	Series 2004	20,000	1.92%	2007	283	335
June 2005	-n/a-	75,000	4.05%	2037	-	(674)

The University selected the combination of variable rate bond issues and long-term interest rate swap agreements to obtain fixed rate financing at the lowest available cost at the time of the transaction. Changes in the fair value of derivative instruments are recorded in non-operating revenues and expenses as investment and other income.

NOTE K Recently Issued Accounting Pronouncements

In 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" (FIN 47), which is effective for the University as of and for the year ended June 30, 2006. FIN 47 was issued to provide clarity surrounding the recognition of conditional asset retirement obligations, as referred to in FASB Statement No. 143, "Accounting for Asset Retirement Obligations." FIN 47 defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing or method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 also provides guidance with respect to the criteria to be used to determine whether sufficient information exists to reasonably estimate the fair value of an asset retirement obligation. Based on the guidance in FIN 47, management of the University determined that sufficient information was available to reasonably estimate the fair value of known asset retirement obligations.

FIN 47 requires the initial application of the interpretation to be recognized as a cumulative effect of a change in accounting principle. Specifically, FIN 47 requires the recognition, as a cumulative effect, of the cumulative accretion and accumulated depreciation for the time period from the date the liability would have been recognized had the provisions of the interpretation been in effect when the liability was incurred to the date of adoption of this Interpretation. The liability incurred date is presumed to be the date upon which the legal requirement to perform the asset retirement activity was enacted.

Upon initial application of FIN 47, the University recognized $7,687 as the cumulative effect of a change in accounting principle in the statement of operations. As of June 30, 2006, $8,600 of conditional asset retirement obligations is included within other liabilities in the balance sheet. Property, plant and equipment at June 30, 2006 includes asset retirement cost at inception for non-fully depreciated assets of $2,062.

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APPENDIX C

CERTAIN DEFINED TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT, THE LEASE AND THE TAX AGREEMENT

The following are summaries of the Trust Agreement, the Lease and the Tax Agreement. These summaries do not purport to set forth all of the provisions of such documents, to which reference is made for the complete and actual terms thereof.

Certain terms used in the Trust Agreement, the Lease, the Base Lease, the Escrow Agreements and the Tax Agreement are defined below unless otherwise defined herein or the context clearly indicates otherwise. When and if such terms are used in this Offering Circular they shall have the meanings set forth below. Any capitalized term used in this Offering Circular regarding the Trust Agreement, the Lease and the Tax Agreement and not defined herein shall have the meaning given such term by the Trust Agreement, the Lease and the Tax Agreement.

"**Act**" means Chapter 3377 and Sections 9.98 to 9.983 of the Revised Code.

"**Additional Payments**" means the amounts required to be paid by CWRU pursuant to the provisions of Section 3.2 of the Lease.

"**Assignment**" means, the Assignment of Rights Under Lease dated as of December 1, 2006 from the Commission, as assignor, to the Trustee, as assignee, as amended or supplemented from time to time, relating to the Bonds.

"**Authenticating Agent**" means the Trustee and the Registrar and any other bank, trust company or Person designated as an Authenticating Agent for the Bonds by or in accordance with Section 6.13 of the Trust Agreement, each of which shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

"**Authorized Denomination**" shall mean denominations of $5,000 or any integral multiple thereof.

"**Base Lease**" means the Base Lease dated as of December 1, 2006 between CWRU, as lessor, and the Commission, as lessee, as amended or supplemented from time to time, relating to the Bonds.

"**Bond Counsel**" means any attorney or firm of attorneys of nationally recognized standing on the subject of municipal bonds acceptable to the Commission.

"**Bond Documents**" means, as applicable, the Base Lease, the Lease, the Escrow Agreements, the Guaranty, the Tax Agreement, the Assignment, the Trust Agreement, the Bond Purchase Agreement and the Continuing Disclosure Agreement.

"**Bond Fund**" means the Bond Fund created under the Trust Agreement and held by the Trustee.

"**Bond Insurance Policy**" means the financial guaranty insurance policy issued by the Bond Insurer that guarantees payment when due of principal of and interest on the Bonds as provided therein.

"**Bond Insurer**" or "**MBIA**" means MBIA Insurance Corporation or any successor thereto.

"**Bond Legislation**" means the resolution adopted by the Commission providing for the issuance of the Bonds and approving the Base Lease, the Lease, the Trust Agreement, the Escrow Agreements, the Assignment, the Bond Purchase Agreement and related matters, as that resolution may from time to time be amended or supplemented.

"**Bond Purchase Agreement**" means the Bond Purchase Agreement providing for the sale of the Bonds among Morgan Stanley & Co. Incorporated, as representative of the Underwriters, CWRU and the Commission.

"**Bond Service Charges**" means, for any period or payable at any time, the principal of (whether on an Interest Payment Date, at stated maturity, by mandatory redemption, if any, by acceleration or otherwise) and premium, if any, and interest on the Bonds (including Bank Bonds) for that period or due and payable at that time as the case may be.

"**Bonds**" or "**Bond**" means, the State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 2006 Project), issued by the Commission pursuant to the Trust Agreement.

"**Book entry form**" or "**book entry system**" means, with respect to the Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Bonds and Bond Service Charges may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical Bond certificates "immobilized" in the custody of the Depository. The book entry system is maintained by and is the responsibility of the Depository and is not the responsibility of the Commission or the Trustee. The book entry is the record that identifies, and records the transfer of the interests of, the owners of beneficial (book entry) interests in the Bonds.

"**Business Day**" means any day other than (i) a Saturday or a Sunday, (ii) a day on which the Trustee is required or is authorized to close or is not prohibited from closing, by law (including without limitation, executive orders) and is closed, (iii) any day on which the Federal Reserve Bank of Cleveland is closed or (iv) a day on which the Depository is closed.

"**Code**" means the Internal Revenue Code of 1986, the Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, and any amendments of, or successor provisions to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a section of the Code includes any applicable successor section or provision and such applicable Regulations, rulings, announcements, notices, procedures and determinations pertinent to that section.

"**Commission**" means the Ohio Higher Educational Facility Commission, a body both corporate and politic, constituting an agency or instrumentality of the State.

"**Continuing Disclosure Agreement**" means the Continuing Disclosure Agreement dated as of December 1, 2006 between CWRU and the Trustee relating to the Bonds.

"**CWRU**" means Case Western Reserve University, an Ohio nonprofit corporation and an educational institution, as defined in the Act, and its lawful successors and assigns, including without limitation any surviving, resulting or transferee corporation or entity, as permitted under the Lease.

"**Default**" means any circumstance that, with the passage of time or the giving of notice or both, would constitute an "Event of Default" under the applicable Bond Document.

"**Defeasance Obligations**" means

(a) Direct Obligations;

(b) certificates or receipts representing direct ownership of future interest or principal payments on direct obligations of, or obligations fully guaranteed by, the United States of America or any of its agencies or instrumentalities the obligations of which are backed by the full faith and credit of the United States of America, which obligations are (i) held by a custodian in safekeeping on behalf of the holder of such receipts and (ii) are rated or assessed in the highest category for long-term debt by a Rating Service then maintaining a rating on the Bonds;

(c) obligations of any state or any political subdivision of any state, other than the Commission, which are rated in the highest category for long-term debt by a Rating Service, the interest on which is excluded from gross income for federal income tax purposes and the full and timely payment of the principal of and any premium and the interest on which is fully and unconditionally payable from obligations of the character described in (a) or (b) above.

"**Depository**" means The Depository Trust Company (a limited purpose trust company), New York, New York, until any successor Depository shall have become such pursuant to the applicable provisions of the Trust Agreement and, thereafter, "Depository" shall mean the successor Depository. Any Depository shall be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of beneficial interests in Bonds or Bond Service Charges, and to effect transfer of Bonds, in book entry form.

"**Direct Obligations**" means direct obligations of the United States of America (whether in certificated or book-entry form), and securities the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by the United States of America, provided that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

"**Eligible Investments**" means, to the extent permitted by law:

(a) Direct Obligations;

(b) direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; senior debt obligations of the Federal Home Loan Banks; certificates of beneficial ownership of the Rural Economic Community Development Administration (formerly the Farmers Home Administration ("FMHA")); participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs") rated, at the time of purchase, "Aaa" by Moody's and "AAA" by Standard & Poor's; debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities that are valued greater than par on the portion of unpaid principal at the time of purchase) and senior debt obligations of the Federal National Mortgage Association ("FNMAs") rated, at the time of purchase, "Aaa" by Moody's and "AAA" by Standard & Poor's; participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed pass-through obligations of the Government National Mortgage Association ("GNMAs"); senior debt obligations of the Student Loan Marketing Association; project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; and Resolution Funding Corporation obligations;

(c) direct obligations of any state of the United States of America or any subdivision or agency thereof whose long-term, unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "Aa" or better by Moody's and "AA" or better by Standard & Poor's, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose long-term, unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "Aa" or better by Moody's and "AA" or better by Standard & Poor's;

(d) commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "Prime-1" or better by Moody's and "A-1" or better by Standard & Poor's;

(e) unsecured certificates of deposit, demand deposits, time deposits or bankers acceptances (in each case having maturities of not more than 360 days) of any domestic bank (including the Trustee and its respective affiliates) including a branch office of a foreign bank, which branch office is located in the United States, provided that legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "Prime-1" or "A-3" or better by Moody's and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's;

(f) deposits of any bank or savings and loan association (including the Trustee and its respective affiliates) that has combined capital, surplus and undivided profits of not less than $30,000,000, provided that such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation ("FDIC");

(g) investments in money-market funds including without limitation, any mutual fund for which the Trustee or any of its affiliates provide services for a fee, whether as an investment advisor, custodian, transfer agent, registrar, sponsor, distributor, manager or otherwise) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, rated, at the time of purchase, "AAAm", "AAAm-G" or "Aam" or the equivalent by Moody's or Standard & Poor's, provided that if such money-market funds of the Trustee are not rated, such funds shall be invested only in Direct Obligations;

(h) repurchase agreements collateralized by Direct Obligations, GNMAs, FNMAs or FHLMCs (the "Collateral Securities") with any registered broker/dealer subject to the jurisdiction of the Securities Investors' Protection Corporation or any commercial bank whose deposits are insured by the FDIC (including the Trustee or any broker/dealer affiliated with the Trustee), if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation, at the time of purchase, rated "Prime-1" or "A3" or better by Moody's, and "A-1" or "A" or better by Standard & Poor's, provided that:

(i) a master repurchase agreement or other specific written repurchase agreement governs the transaction; and

(ii) the Collateral Securities are held free and clear of any lien by the Trustee (as may be evidenced by an opinion of counsel acceptable to the Trustee) or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (1) a Federal Reserve Bank, or (2) a bank that is a member of the FDIC and has combined capital, surplus and undivided profits of not less than $50,000,000; and

(iii) the Trustee receives an opinion of counsel acceptable to the Trustee that a perfected first security interest under the Uniform Commercial Code is created in, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. are followed with respect to, the Collateral Securities for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of 30 days or less, and the Trustee or the Agent will value the Collateral Securities no less frequently than weekly and will liquidate the Collateral Securities if any deficiency in the required collateral percentage is not restored within two Business Days of such valuation; and

(v) the fair market value of the Collateral Securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 104%, provided that it shall be 105% if the Collateral Securities are FNMAs or FHLMCs;

(i) investment agreements with a bank, insurance company or other provider (including the Trustee or any affiliate of the Trustee) that has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's and "A-" or better by Standard & Poor's at the time of purchase, or is a lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided that:

(i) interest is paid at least semiannually at a fixed rate during the entire term of the agreement, consistent with bond payment dates,

(ii) money invested thereunder may be withdrawn without any penalty, premium or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date),

(iii) the agreement is not subordinated to any other obligations of such bank, insurance company or other provider,

(iv) the same guaranteed interest rate will be paid on any future deposits made to restore the reserve to its required amount, and

(v) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such bank, insurance company or other provider;

(j) corporate notes or bonds rated, at the time of purchase, "A" or better by Moody's and "A" or better by Standard & Poor's;

(k) such other investments as may be permitted under State and federal law, provided that such investments shall be made only for the purpose of preventing any Bonds from becoming "arbitrage bonds" under Section 148 of the Code, and provided further that prior to such investment, the Trustee or University Representative, as the case may be, shall have obtained the written opinion of bond counsel that such investment will not affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Investments or deposits in certificates of deposit or in investment contracts shall not be made without complying with Treasury Regulations § 1.148-5(d) (6) (ii) and (iii), respectively, or with any successor provisions thereto or other similar applicable provisions. In determining whether the rating assigned by a Rating Service to an investment complies with the rating categories provided in this definition of Eligible Investments, the rating category shall be determined at the time of investment without regard to any numerical or plus or minus modifier, unless otherwise expressly provided above.

"**Escrow Agreements**" means the 1997 A Escrow Agreement, the 1997 C Escrow Agreement, the 2002 B Escrow Agreement and the 2004 A Escrow Agreement.

"**Event of Default**" means an Event of Default as defined in the applicable Bond Document.

"**Executive**" means the Chairman, Vice Chairman, Secretary or Deputy Secretary of the Commission.

"**Guaranty**" means the Guaranty Agreement dated as of December 1, 2006 between CWRU and the Trustee, as amended or supplemented from time to time, relating to the Bonds.

"**Holder**" or "**Holder of a Bond**" or "**Bondholder**" means the Person in whose name a Bond is registered on the Register.

"**Independent Counsel**" means any attorney or firm of attorneys who is (i) duly admitted to practice law before the highest court of the State, (ii) not a full-time employee of the Commission, CWRU or the Trustee and (iii) acceptable to the Trustee.

"**Interest Payment Date**" or "**Interest Payment Dates**" means each June 1 and December 1 of each year, commencing December 1, 2007, or any other date on which any Bond Service Charges shall be due and payable, whether at maturity, upon acceleration, call for redemption, or otherwise.

"**Interest Rate for Advances**" means a rate that is 1% per year in excess of the rate of interest that the principal bank affiliated with the Trustee announces from time to time as its prime or base lending rate, in its commercial lending capacity at its principal office in New York, New York, such rate changing automatically and immediately from time to time as of the effective date of each such announced change, provided that a successor trustee and an Executive, on behalf of the Commission, may agree that the Interest Rate for Advances may be based on the prime or base lending rate of such successor trustee or on a bank designated by such successor trustee.

"**Issuance Expenses Fund**" means the Issuance Expenses Fund created under the Trust Agreement.

"**Lease**" means the Lease Agreement dated as of December 1, 2006 between CWRU, as lessor, and the Commission, as lessee, relating to the Bonds.

"**Legal Requirements**" means all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements (including but not limited to zoning, planning, building and environmental) of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter (i) to CWRU or (ii) to the Project or any part thereof or any use or condition of the Project or any part thereof.

"**Offering Circular**" means this Offering Circular with respect to the Bonds.

"**Outstanding Bonds**", "**Bonds outstanding**" or "**outstanding**" as applied to the Bonds means, as of the applicable date, all Bonds that have been authenticated and delivered, or are being delivered, by the Trustee under the Trust Agreement, except:

(a) Bonds cancelled upon surrender, exchange or transfer, or cancelled because of payment or redemption on or prior to that date;

(b) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient money shall have been deposited and credited with the Trustee or any Paying Agents on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided that, if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Holders of that notice satisfactory in form to the Trustee shall have been filed with the Trustee;

(c) Bonds, or the portion thereof, that are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Trust Agreement; and

(d) Bonds in lieu of which others have been authenticated under Section 3.02 of the Trust Agreement.

"**Paying Agent**" means any bank or trust company designated as a Paying Agent for the Bonds by or in accordance with the Trust Agreement.

"**Permitted Encumbrances**" means, as of any particular time:

(a) the Base Lease, the Lease, and any sublease of the Projects authorized by the Lease;

(b) the 1988 Lease, the 1990 Lease, the 1997 Series A Lease, the 1997 Series C Lease, the 2002 Lease and the 2004 Lease and any other lease between the Commission and CWRU;

(c) liens for ad valorem taxes, governmental charges and special assessments not then delinquent, or if then delinquent, being contested in accordance with the Lease;

(d) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an architect certifies will not interfere with or impair the operations being or to be conducted on the Project (or if no operations are being conducted thereon, the operations for which the Project were designed or last modified);

(e) security interests, mortgages, easements, restrictions and other encumbrances existing as of the date of delivery of the Base Lease;

(f) purchase money mortgages, purchase money security interests and other similar interests to the extent permitted by the Lease;

(g) minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title of a nature that exist normally with respect to properties of a character similar to that of the Project and that, in the opinion of an architect or Independent Counsel, in the aggregate do not affect materially and adversely the value or marketable title of the Project or impair materially the property affected thereby for the purpose for which it was acquired or is held;

(h) any other lease between the Commission and CWRU entered into in connection with bonds issued by the Commission to provide for additional improvements to the Project or for the refunding of all or a portion of the Bonds or in connection with subsequent issues of bonds by the Commission for such purposes;

(i) liens resulting from governmental regulations on the use of the Project; and

(j) without limiting the foregoing, any lien, mortgage, security interest or other encumbrance identified in an exhibit to the Lease or otherwise permitted by the Lease and the Trust Agreement or identified in documents relating to any of the following:

- State of Ohio Higher Educational Facility Revenue Bonds Series 1988, dated as of October 1, 1988 as to Current Interest Bonds and dated as of October 5, 1988 as to Capital Appreciation Bonds;
- State of Ohio Higher Educational Facility Revenue Bonds Series 1990, dated as of July 15, 1990 as to Current Interest Bonds and dated as of July 30, 1990 as to Capital Appreciation Bonds;
- State of Ohio Higher Educational Facility Revenue Bonds Series 1994, dated as of December 14, 1994;
- State of Ohio Higher Educational Facility Revenue Bonds Series 1997, Series A and B, dated as of July 15, 1997;
- State of Ohio Higher Educational Facility Revenue Bonds Series 1997, Series C, D and E, dated as of September 15, 1997;
- State of Ohio Higher Educational Facility Revenue Bonds Series 2001, dated as of February 28, 2001;
- State of Ohio Higher Educational Facility Commercial Paper, dated as of February 1, 2000;
- State of Ohio Higher Educational Facility Revenue Bonds Series 2002, Series A and B, dated as of May 15, 2002 and June 5, 2002, respectively; and
- State of Ohio Higher Education Facility Revenue Bonds Series 2004, Series A and B, dated as of March 16, 2004.

"**Person**" or words importing persons mean firms, associations, partnerships (including without limitation, general and limited partnerships), limited liability companies, joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities and natural persons.

"**Rating Service**" means Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("Standard & Poor's") or Fitch Ratings ("Fitch"), each of New York, New York, or their successors, or if any one of which shall be dissolved or no longer assigning credit ratings to long-term debt, then any other nationally recognized entity assigning credit ratings to long-term debt designated by an Executive.

"**Rebate Fund**" means the Rebate Fund created under the Trust Agreement.

"**Regular Record Date**" means the close of business on the fifteenth day of the month preceding an Interest Payment Date.

"**Register**" means the books kept and maintained by the Registrar for the registration and transfer of Bonds pursuant to the Trust Agreement.

"**Registrar**" means the Trustee, until a successor Registrar shall have become such pursuant to applicable provisions of the Trust Agreement; each Registrar shall be a transfer agent registered in accordance with Section 17A(c) of the Securities Exchange Act of 1934, as amended.

"**Rental Payment Date**" means each Interest Payment Date.

"**Rental Payments**" means the amounts required to be paid by CWRU to the Trustee pursuant to the Lease and the Assignment.

"**Revenues**" means (a) Rental Payments, (b) amounts held in, or for the credit of, the Special Funds, (c) all other rentals, revenue, income, charges and money received or to be received by the Commission, or the Trustee for the account of the Commission, from the lease, sale or other disposition of the Project (except Additional Payments), and (d) all income and profit from the investment of the Rental Payments and the Special Funds and such other money. The term "Revenues" does not include any money or investments in the Escrow Funds, Rebate Fund or the Issuance Expenses Fund.

"**Revised Code**" means the Revised Code of the State of Ohio.

"**Special Funds**" means the Bond Fund and any other funds or accounts permitted by, established under or identified in the Trust Agreement or the Bond Legislation, except the Escrow Funds, the Rebate Fund and the Issuance Expenses Fund.

"**State**" means the State of Ohio.

"**Tax Agreement**" means the Tax Certificate and Agreement dated the date the Bonds are issued and delivered among the Commission, CWRU and the Trustee, as amended or supplemented from time to time, relating the Bonds.

"**Tax-Exempt Organization**" means an organization described in Section 501(c)(3) of the Code and is exempt from federal income taxation under Section 501(a) of the Code or is a governmental unit.

"**Termination Date**" means the earlier of (a) the effective date of cancellation or termination of the Lease by CWRU or (b) the termination of the Lease by the Commission, subject to reinstatement, all pursuant to the provisions of the Lease.

"**Trust Agreement**" means the Trust Agreement dated as of December 1, 2006 securing the Bonds, between the Commission and the Trustee, as amended or supplemented from time to time.

"**Trustee**" means the Trustee under the Trust Agreement, originally The Bank of New York, N.A., a national limited purpose trust company duly organized and validly existing under the laws of the United States of America, and any successor Trustee, as determined or designated under the Trust Agreement.

"**Unassigned Rights**" means the rights of the Commission under the Leases that are not assigned to the Trustee, consisting of the rights of the Commission (i) to receive Additional Payments, (ii) to be held harmless and to be indemnified, (iii) to be reimbursed for attorney's fees and expenses, to the extent permitted by law, (iv) to give or withhold consent to amendments of the Lease, (v) to enter into subsequent lease of the Projects as and to the extent provided in the Lease and (vi) to enforce those rights.

"**University Representative**" means the individual designated from time to time as the representative of CWRU for purposes of the Bond Documents. The designation shall be made in a written certificate furnished to the Commission and the Trustee containing the specimen signature of such person and signed on behalf of CWRU by an authorized official of CWRU or its Board of Trustees. The certificate may designate an alternate or alternates who shall have the same authority, duties and powers as the University Representative and may serve in that capacity during the same time as the University Representative. In the event that all individuals so designated become unavailable or unable to act and CWRU fails to designate a replacement within ten days after that unavailability or inability to act, the Trustee or an Executive (if requested to do so by the Trustee) may appoint an interim University Representative until CWRU designates a replacement.

THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. Such summary does not purport to be complete or definitive and reference is made to the Trust Agreement for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under **"Certain Defined Terms and Summary of Certain Provisions of the Trust Agreement, the Lease and the Tax Agreement."**

Pledge and Assignment. In order to secure the payment of the principal of, and interest and premium, if any, on the Bonds issued under the Trust Agreement either at their maturity or prior redemption according to their tenor and effect, to secure, in connection with the Trust Agreement, on a subordinated basis, and to secure the performance and observance by the Commission of all the covenants and obligations expressed or implied in the Trust Agreement and in the Bonds, the Commission assigns to the Trustee all of the Commission's rights to, and interests in, the Revenues, (except for the Unassigned Rights) the Lease and the Guaranty.

Replacement Bonds. If any Depository determines not to continue to act as a Depository for the Bonds for use in a book entry system or the Commission at the request of CWRU determines to terminate the services of any Depository (after determining that the continuation of such book entry system services by such Depository is not in the best interests of the Commission, CWRU or the beneficial owners of the Bonds), the Commission, at the request of CWRU, may attempt to have established a securities depository/book entry system relationship with another qualified Depository under the Trust Agreement If the Commission does not or is unable to do so, the Commission and the Trustee, after the Trustee has made provision for notification of the owners of beneficial interests in the Bonds by appropriate notice to the then Depository, shall permit withdrawal of the Bonds from the Depository, and shall authenticate and deliver Bond certificates in fully registered form to the assignees of the Depository or its nominee. Such withdrawal, preparation, signing, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Bonds), of CWRU.

Books. The Commission shall cause books for the registration and registration of transfer of the Bonds as provided in the Trust Agreement to be kept by the Registrar. The Registrar shall maintain and keep, at the designated office of the Registrar, books for the registration and registration of transfer of the Bonds, which at all reasonable times shall be open for inspection by the Commission, the Trustee and CWRU. Upon presentation of any Bond entitled to registration or registration of transfer at the designated office of the Registrar, the Registrar shall register or register the transfer of the Bond in the registration books. The Registrar shall make all necessary provisions to permit the exchange or registration of transfer of Bonds at the designated office of the Registrar.

Transfer and Exchange. The Bonds shall be transferred and exchanged as provided in the Trust Agreement, provided that the Trustee and Registrar shall not register the transfer or exchange of any Bonds subject to redemption during the 15 days prior to the selection of such Bonds to be redeemed or those Bonds as to which notice of redemption has been given in accordance with the Trust Agreement.

Nonpresentment of Bonds. In the event that any Bond shall not be presented for payment when the principal thereof becomes due in whole or in part, either at stated maturity or by redemption, or check or draft for interest is uncashed, if money sufficient to pay the principal then due of that Bond or of such check or draft has been made available to the Trustee for the benefit of its Holder, all liability of the State or the Commission to that Holder for such payment of the principal then due on the Bonds or of such check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold that money, without liability for interest thereon, in a separate account in the Bond Fund for the exclusive benefit of the Holder, who shall be restricted thereafter exclusively to that money for any claim of whatever nature on its part under the Trust Agreement or on, or with respect to, the principal then due of that Bond or of such check or draft. All money held by the Trustee and subject to Section 5.07 of the Trust Agreement shall be held uninvested and without liability for interest thereon; provided that if the amount of that money exceeds $10,000, the Trustee shall invest that money in that separate account in investment instruments identified in item (g) of Eligible Investments. The investment earnings received from those investments shall be transferred to the Bond Fund on November 15 of each year.

Pursuant to the Trust Agreement, the Commission authorizes and directs the Trustee to, and the Trustee shall, transfer to CWRU any money that shall be so held by the Trustee and that remains unclaimed by the Holder of a Bond not presented for payment or check or draft not cashed for a period of four years after the due date thereof. Thereafter, the

Holder of that Bond shall look only to CWRU for payment and then only to the amounts so received by CWRU without any interest thereon, and the Trustee shall not have any responsibility with respect to that money.

Creation of Funds and Accounts; Deposit of and Use of Money. The Funds and separate Accounts within the Funds created with respect to the Bonds under the Trust Agreement shall be held and administered by the Trustee in accordance with the terms of the Trust Agreement and as described below concerning certain Funds:

Issuance Expenses Fund. The proceeds of the sale of the Bonds shall be deposited by the Trustee as follows: to the Issuance Expense Fund, an amount specified by the Commission in a certificate to the Trustee, which amount shall not exceed the amount of the Bond proceeds that may be allocated for issuance expenses under the Code; and to the Escrow Funds, the balance of the proceeds as set forth in the Escrow Agreements. Money in the Issuance Expense Fund shall be distributed by the Trustee in accordance with the provisions of the Lease. On the earlier of (i) six months from December 1, 2006 or (ii) the date when all fees, charges and expenses relating to the issuance of the Bonds have been paid or provision for their payment has been made, as certified to the Trustee by CWRU, the Trustee shall transfer any balance of moneys remaining in the Issuance Expenses Fund to the Bond Fund.

Bond Fund and Escrow Funds. The Bond Fund and the money and Eligible Investments therein shall be used solely and exclusively for the payment of the Bond Service Charges, all as provided in the Trust Agreement and the Lease. The Escrow Funds and the money and Eligible Investments therein shall be applied as set forth in the respective Escrow Agreements.

Lien. The Commission shall not create any lien upon any of the Funds or Accounts created by either the Trust Agreement or upon the Revenues of the Commission from the Lease, other than the liens created by the Trust Agreement.

Payment of Interest. Interest on the Bonds will be payable on each Interest Payment Date in immediately available funds wired by the Trustee to the registered owner (the Depository or its nominee) as of the Regular Record Date applicable to that Interest Payment Date.

Payment of Principal and Premium. Principal of any premium on the Bonds will be payable on the payment date therefore in immediately available funds wired by the Trustee to the registered owner (the Depository or its nominee).

Redemption. The Bonds shall be subject, pursuant to the terms of the Trust Agreement, to optional and extraordinary optional redemption. (See "The Bonds – Description of the Bonds – Redemption" for a description of the provisions regarding redemption.)

No Pecuniary Liability. Each and every covenant made in the Trust Agreement is predicated upon the condition that the Commission will not have any pecuniary liability for the payment of the principal of and premium, if any, or interest on the Bonds, or performance of any pledge, mortgage, obligation or agreement created by or arising out of the Trust Agreement or the issuance of the Bonds. Neither the Bonds nor the interest on the Bonds nor any obligation or agreement of the Commission under the Trust Agreement or the other Bond Documents will be construed to constitute an indebtedness of the Commission within the meaning of any constitutional or statutory provision.

No Personal Liability. No covenant, stipulation, obligation or agreement of the Commission in the Trust Agreement, the Bonds, the Lease or any other Bond Document will be deemed to be a covenant, stipulation, obligation or agreement of any present or future elected or appointed official, officer, employee or agent of the Commission in his or her individual capacity, and neither the members of the Commission nor any official executing the Bonds will be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or by reason of the covenants, stipulations, obligations or agreement of the Commission contained in the Lease or the Trust Agreement.

Performance of Covenants of the Commission; Representations. The Commission will perform any and all covenants, undertakings, stipulations and provisions contained in the Trust Agreement, in any and every Bond executed, authenticated and delivered under the Trust Agreement, and in all proceedings pertaining to the Bonds.

No Disposition of Trust Estate. Except as permitted by the Trust Agreement or the other Bond Documents, the Commission will not sell or otherwise dispose of all or any part of its interest in the Project or assign or grant a security interest in the Revenues or create or suffer to create any debt, lien or charge thereon.

Removal of Trustee. The Trustee of the Trust Agreement may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the Commission, CWRU and the Bond Insurer (so long as the Bond Insurance Policy is in full force and effect, and the Bond Insurer has not defaulted thereunder), and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding. The Trustee of the Trust Agreement also may be removed at any time for any willful misconduct or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Commission or the Holders of not less than 25% in aggregate principal amount of then Outstanding Bonds. In either instance, CWRU may solicit the Holders or the Commission to make such an application, and at the request of CWRU, the Trustee shall permit CWRU to inspect the Register for this purpose. The Commission shall promptly consider such a request from CWRU. The removal of a Trustee shall not take effect until the appointment of a successor Trustee and the acceptance by that successor Trustee.

Events of Default.

Each of the following events shall constitute an Event of Default under the Trust Agreement:

(a) The Commission fails to pay any installment of interest on any Bond when the same becomes due and payable;

(b) The Commission fails to pay the principal of or premium, if any, on any Bond when the same becomes due and payable, whether at stated maturity or by acceleration or redemption pursuant to any mandatory sinking fund requirements;

(c) The Commission or CWRU fails to perform or observe any covenant or agreement or obligation under the Trust Agreement or the Lease or the Tax Agreement that results in the interest on the Bonds no longer being excluded from gross income for federal income tax purposes;

(d) A failure by the Commission to observe or perform any other covenant, agreement or provision, contained in the Bonds or in the Trust Agreement which is to be observed or performed by the Commission, which failure continues for a period of sixty (60) days after written notice, specifying the failure and requesting that it be remedied, has been given to the Commission and CWRU which notice may be given by the Trustee in its discretion and which notice must be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding;

(e) An Event of Default under the Lease subject to applicable waivers and cure periods as provided therein; and

(f) CWRU fails to perform or observe any covenant, agreement or obligation on the part of CWRU contained in the Guaranty, giving effect to any notices and grace periods therein.

Acceleration of Maturity. Upon the occurrence of an Event of Default under the Trust Agreement, as defined in (a), (b), or (c) above, the Trustee may (but is not obligated to) with the consent of the Bond Insurer, and upon the written request of the Bond Insurer (in both cases so long as the Bond Insurance Policy is in force and the Bond Insurer is not in default thereunder), or, if the Bond Insurance Policy is no longer in effect, the Holders of not less than 25% in aggregate principal amount of Bonds outstanding, the Trustee shall, by written notice to the Commission, declare the principal and any premium on all of the Bonds then outstanding (if not then due and payable) and the interest accrued thereon to be immediately due and payable.

Actual Notice of Events of Default. The Trustee will provide written notice of the occurrence and continuing of any Event of Default, under either the Trust Agreement, to CWRU, the Commission, the Registrar, the Paying Agent, the

Authenticating Agent, the Bond Insurer and the Underwriters within seven business days and all Holders of Bonds within thirty (30) days after obtaining knowledge of such Event of Default.

Rescission or Annulment of Acceleration. If, at any time after such principal and premium, if any, and interest shall have been so declared due and payable and prior to the entry of a judgment in a court of law or equity for enforcement hereunder or the appointment, and the confirmation thereof, of a receiver after an opportunity for hearing by the Commission and CWRU, all amounts payable hereunder except the principal of, and interest accrued after the next preceding Interest Payment Date on, the Bonds that have not reached their stated maturity dates and that are due and payable solely by reason of said declaration shall have been duly paid or provided for by deposit with the Trustee or Paying Agents and all existing Defaults shall have been made good, then and in every such case such payment or provisions for payment shall, ipso facto, constitute a waiver of such Default and Event of Default and its consequences and an automatic rescission shall extend to or affect any subsequent Event of Default or impair any rights consequent thereon.

Restoration to Former Position. In case any proceedings taken by the Trustee on account of default of the Bonds have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Commission, the Bond Insurer, the Trustee and the Holders will be restored to their respective former positions and rights under the Trust Agreement, and all rights, remedies, powers and duties of the Trustee will continue as though no such proceeding had been taken.

Bondholders' Right to Direct Proceedings. Anything to the contrary in the Trust Agreement notwithstanding, the Holders of a majority in aggregate principal amount of Outstanding Bonds shall have the right at any time to direct, by an instrument or document or instruments or documents in writing signed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Agreement; provided that (i) any direction shall not be other than in accordance with the provisions of law and of the Trust Agreement, (ii) the Trustee shall be indemnified as provided in the Trust Agreement and (iii) the Trustee may take any other action that it deems to be proper and that is not inconsistent with the direction. The rights of the Holders to direct proceedings are subject to the rights of the Bond Insurer as described in Section 7.14 of the Trust Agreement.

Limitation on Bondholders' Right to Institute Proceedings. No Bondholder has any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless (i) such Holder previously has given to the Trustee written notice in accordance with the terms of the Trust Agreement of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) the Holders of not less than 25% of the aggregate principal amount of the Outstanding Bonds have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by either the Trust Agreement or to institute such action, suit or proceeding in its or their name, and (iii) there has been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Trust Agreement or to any other remedy hereunder. Any direction or institution or remedies by the Holders shall be subject to the prior written consent of the Bond Insurer, and the Bond Insurer, acting alone, shall have the right to direct all remedies upon default.

It is understood and intended that, except as otherwise provided above, (i) no one or more Bondholders has any right in any manner whatsoever to affect, disturb or prejudice the security of the Trust Agreement or to enforce any right thereunder except in the manner herein described, (ii) all proceedings at law or in equity shall be maintained in the manner therein provided and for the benefit of all Holders of the Outstanding Bonds and (iii) that any individual right of action or other right given by law to one or more of such Holders is restricted by the Trust Agreement to the rights and remedies therein.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee, the Bond Insurer, or to the Bondholders under the Trust Agreement is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or in the future existing at law or in equity or by statute.

No Waiver of Remedies. No delay or omission of the Trustee or of any Bondholder to exercise any right or power accruing upon any default will impair any such right or power or be construed to be a waiver of any such default, or an acquiescence in the default. Every power and remedy given under the Trust Agreement to the Trustee and to the Bondholders may be exercised from time to time and as often as may be deemed expedient. Any waiver of an Event of Default is subject to the prior written consent of the Bond Insurer.

Limitations on Modifications of the Trust Agreement and the Lease. Neither the Trust Agreement nor the Lease shall be modified, supplemented or amended in any respect subsequent to the first issuance of the Bonds except as provided in and in accordance with and subject to the provisions of the Trust Agreement.

Supplemental Trust Agreement Without Bondholder Consent. The Commission and the Trustee may, from time to time and at any time, without the consent of or notice to the Bondholders, but only with the consent of CWRU and the Bond Insurer, enter into a Supplemental Trust Agreement as follows:

(a) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;

(b) to grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Holders or the Trustee;

(c) to assign additional revenues under the Trust Agreement;

(d) to accept additional security and instruments and documents of further assurance with respect to the Project and the Bonds;

(e) to add to the covenants, agreements and obligations of the Commission under the Trust Agreement, other covenants, agreements and obligations to be observed for the protection of the Holders, or to surrender or limit any right, power of authority reserved to or conferred upon the Commission in the Trust Agreement;

(f) to evidence any succession to the Commission and the assumption by its successor of the covenants, agreements and obligations of the Commission under the Trust Agreement, the Base Lease, the Lease and the Bonds;

(g) to permit the Trustee or the Commission to comply with any obligations imposed upon it by law including the Code, so long as such change would not be to the prejudice of the Trustee or the Holders;

(h) to specify further the duties and responsibilities of, and to define further the relationship among, the Trustee, the Registrar and any Authenticating Agent or Paying Agent;

(i) to achieve compliance of the Trust Agreement with any applicable federal securities or tax law, provided that in the opinion of Independent Counsel (Bond Counsel if related to federal tax law) such supplemental trust agreement does not adversely affect the validity or security of the Bonds;

(j) to obtain or maintain a rating on the Bonds from a Rating Service or to obtain or maintain insurance on the Bonds;

(k) to adopt procedures for the disclosure of information to Bondholders and others with respect to the Bonds, CWRU and the Commission in accordance with applicable federal securities laws or with any guidelines for such purpose promulgated by any appropriate national organization;

(l) in connection with the use of a book entry system; and

(m) to permit any other amendment that, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Holders.

Supplemental Trust Agreement with Bondholder Consent. Subject to the consent of the Bond Insurer and CWRU, Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding have the right from time to time to consent to and approve the execution and delivery by the Commission and the Trustee of any supplemental trust agreement consistent with the provisions of the Trust Agreement, provided, however, that, (A) without the consent of the Holder of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond or (ii) a reduction in the principal amount of any Bond or the rate of interest or premium thereon or (iii) a reduction in the principal amount of or any extension of the time of payment of any mandatory sinking fund requirement, or (B) without the consent of the Holders of all Bonds then outstanding, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a supplemental trust agreement or an amendment to the Lease.

Notice. If at any time the Commission requests the Trustee to enter into any supplemental trust agreement for any of the purposes described above, upon (i) being satisfactorily indemnified with respect to its expenses in connection therewith, and (ii) receipt of the CWRU's consent to the proposed signing and delivery of the supplemental trust agreement, the Trustee shall cause notice of the proposed supplemental trust agreement to be given by mail to all Holders of Outstanding Bonds and the Bond Insurer.

No Right to Object. If Bondholders of not less than the percentage of Bonds required by the Trust Agreement consent to and approve the execution and delivery of the supplemental trust agreement as provided in the Trust Agreement, no Bondholder will have any right to object to the execution and delivery of such supplemental trust agreement, or to object to any of the terms and provisions contained in it or to its operation, or in any manner to question the propriety of its execution and delivery, or to enjoin or restrain the Commission or the Trustee from executing and delivering the same or from taking any action pursuant to its provisions.

Consent of CWRU and Bond Insurer Required. The Trustee and the Commission will not enter into any supplemental trust agreement without the prior written consent of CWRU and the Bond Insurer.

Discharge of Trust Agreement. If (i) the Commission shall pay all of the Outstanding Bonds, or shall cause them to be paid and discharged, or if there otherwise shall be paid to the Holders of the Outstanding Bonds, all Bond Service Charges due or to become due thereon, and (ii) provision also shall be made for the payment of all other amounts payable under the Trust Agreement or under the Lease then the Trust Agreement shall terminate and the covenants, agreements and obligations of the Commission thereunder shall be released, discharged and satisfied.

The Trustee shall release the Trust Agreement (except for certain provisions surviving in the event the Bonds are deemed paid and discharged as described below) and shall sign and deliver to the Commission any instruments or documents in writing as shall be required to evidence that release and discharge or as reasonably may be requested by the Commission, and the Trustee and any other Paying Agents shall assign and deliver to the Commission any property subject at the time to the lien of the Trust Agreement that then may be in their possession, except amounts in the Bond Fund required (i) to be paid to CWRU as excess funds under Section 5.08 of the Trust Agreement or (ii) to be held by the Trustee and the Paying Agents in the case of nonpresentment of Bonds or otherwise for the payment of Bond Service Charges.

Defeasance. All or any part of the Bonds shall be deemed to have been paid and discharged within the meaning of the Trust Agreement if:

(a) the Trustee as paying agent and any Paying Agent has received, in trust for and irrevocably committed thereto, sufficient money, or

(b) the Trustee has received, in trust for and irrevocably committed thereto, Defeasance Obligations that are verified or certified by an independent firm experienced in the preparation of verification reports and acceptable to Bond Counsel to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any money to which reference is made in subsection (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided in the Trust Agreement), for the payment of all Bond Service Charges on those Bonds, at their maturity or redemption dates, as the case may be, or if a Default in payment has occurred on any maturity or redemption date, then for the payment of all Bond Service Charges thereon to the date of the tender of payment; provided that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption has been duly given or irrevocable provision satisfactory to the Trustee has been duly made for the giving of that notice.

Any money held by the Trustee as described above may be invested by the Trustee upon written direction by a representative of CWRU only in Defeasance Obligations having maturity dates, or having redemption dates that, at the option of the holder of those obligations, shall be not later than the date or dates on which money will be required for the purposes described above.

Within 15 days after any Bonds are deemed paid and discharged the Trustee shall cause a written notice to be given to the Bond Insurer and to each Holder as shown on the Register on the date on which those Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged or state that all Bonds are deemed paid and discharged, set forth a description of the Defeasance Obligations held and specify the date or dates on which any of the Bonds are to be called for redemption.

Acceptance of Trusts. The Trustee accepts and agrees to execute the trusts created under the Trust Agreement, but only upon the terms set forth therein, to all of which the Commission agrees and the Holders agree by their acceptance of delivery of any of the Bonds. The obligations and duties of the Trustee will be determined solely by reference to the Trust Agreement and, except as expressly set forth in the Trust Agreement, no duties, express or implied, will be imposed on the Trustee. The Trustee may execute any of the trusts or powers contained in the Trust Agreement and perform the duties required by it under the Trust Agreement by or through attorneys, agents, receivers or employees, and shall be entitled to the advice of counsel concerning all matters of trusts and its duties under the Trust Agreement.

Payment by the Bond Insurer. Notwithstanding anything in the Trust Agreement to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied, not be considered paid by the Commission, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Commission to the registered owners shall continue to exist and run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the right of such registered owners.

Additional Provisions Concerning the Trustee Required by Bond Insurer. So long as the Bond Insurance Policy is in force and effect and the Bond Insurer is not in default thereunder, the following additional provisions concerning the Trustee shall apply:

(a) In addition to the provisions of Section 6.08 of the Trust Agreement, the Trustee may be removed at any time by the Commission, at the request of the Bond Insurer, for any breach of trust under the Trust Agreement.

(b) The Bond Insurer shall be furnished with written notice of: (i) the resignation or removal of the Trustee, Paying Agent and Registrar and the appointment of any successor thereto; (ii) any draw upon or deficiency, as determined in accordance with Section 5.05(b) of the Trust Agreement, due to market fluctuations in the amount, if any, on deposit in the Bond Reserve Fund; (iii) the redemption, other than mandatory sinking fund redemption or defeasance, of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof; and (iv) any certificate rendered pursuant to the Trust Agreement relating to the security of the Bonds.

(c) No resignation or removal of the Trustee, Registrar or Paying Agent shall become effective until a successor has been appointed and has accepted the duties of the Trustee, Registrar or Paying Agent, respectively, and the Bond Insurer has consented to the removal and appointment.

(d) The Trustee shall not take the Bond Insurance Policy into effect in determining whether the rights of Holders are adversely affected by actions taken pursuant to the terms and provisions of the Trust Agreement.

(e) The Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the Trustee of the occurrence of an Event of Default and (ii) request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefor. The Trustee shall be required to accept notice from the Bond Insurer that an Event of Default has occurred and is continuing. The Trustee shall notify the Bond Insurer of any failure of the Commission or CWRU to provide relevant notices, certificates or other documents hereunder.

(f) Notwithstanding any other provision of the Trust Agreement, the Trustee shall immediately notify the Bond Insurer if at any time there is insufficient money to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default hereunder.

(g) The Bond Insurer shall be permitted to discuss the affairs, finances and accounts of the Commission relating to the Bonds or CWRU or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Commission or CWRU. The Trustee will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(h) To the extent that the Trust Agreement confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Trust Agreement, the Bond Insurer is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder. Nothing in the Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Commission, the Trustee, the Bond Insurer and the Holders of the Bonds, any right, remedy or claim under or by reason of the Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the Trust Agreement contained by and on behalf of the Commission shall be for the sole and exclusive benefit of the Commission, the Trustee, the Bond Insurer and the Holders of the Bonds.

(i) Any reorganization or liquidation plan with respect to CWRU must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Holders who hold Bonds insured by the Bond Insurer, absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such Bonds.

THE LEASE

The following is a summary of certain provisions of the Lease. Such summary does not purport to be complete or definitive and reference is made to the Lease for a full and complete statement of the terms and provisions and for the definitions of capitalized terms used in this summary and not otherwise defined under **"Certain Defined Terms and Summary of Certain Provisions of the Trust Agreement, the Lease and the Tax Agreement."**

Use of the Projects

During the term of the Lease, CWRU has sole and exclusive charge of the operation of the Projects unless there is an Event of Default and CWRU has been excluded from possession of the Project under the terms of the Lease. See "THE LEASE - Events of Default" hereinafter.

Rental Payments

CWRU is obligated under the Lease to pay Rental Payments and to pay other expenses and disbursements of the Trustee and the Commission, defined in the Lease as "Additional Payments".

Rental Payments are payable to the Trustee for the account of the Commission on or before each Rental Payment Date (each Interest Payment Date) during the term of the Lease in an amount of money equal to the sum of the amount that, when added to the balance then in the Bond Fund and available therefor, will be sufficient to pay the Bond Service Charges on the Interest Payment Date occurring on such Rental Payment Date.

In any event, the amount of the Rental Payments made under the Lease must be sufficient to pay the total amount of the Bond Service Charges as and when due, whether at stated maturity, by redemption or upon acceleration. The Lease serves the purpose of securing the debt service on the Bonds, while satisfying the requirements of the Act pursuant to which the Bonds are issued. If at any time when a payment of Bond Service Charges is due, the balance in the Bond Fund is insufficient to make that payment, CWRU will forthwith pay to the Trustee for deposit into the Bond Fund any such deficiency. Any amount, however, held at any time by the Trustee in the Bond Fund will, unless otherwise provided in the Lease, be credited against the Rental Payments next required to be paid by CWRU, to the extent such amount is in excess of the amounts required (i) for payment of Bonds theretofore matured or called for redemption, (ii) for payment of past due interest in all cases where such Bonds have not been presented for payment and (iii) to be deposited in Bond Fund for use for other than payment of the interest or any premium on, or principal of, the Bonds (whether at maturity or by redemption) on the next succeeding Interest Payment Date.

Absolute Obligation to Pay Rental Payments

The obligation of CWRU to make Rental Payments and Additional Payments pursuant to the Lease is an absolute and unconditional general contractual obligation of CWRU and will survive any termination of the Lease until such time as all of the Bonds and interest and any premium thereon, and any Additional Payments, have been paid in full or provision therefor is made. CWRU has agreed to pay such obligations from its general funds or any other money legally available to it in the manner and at the time provided in the Lease. CWRU will make Rental Payments and Additional Payments without abatement, diminution or deduction regardless of any cause or circumstances whatsoever, including but not limited to, any defense, set-off, recoupment or counterclaim that CWRU may have or assert against the State of Ohio, the Commission, the Trustee, or any other Person, any change in the tax or other laws or administrative rulings of or administrative actions by or under authority of the United States of America or of the State of Ohio, or any damage to, destruction of or exercise of eminent domain with regard to the Projects.

Maintenance of Tuition, Fees and Charges

So long as any Bonds are outstanding, CWRU covenants and agrees to operate all its educational facilities, including the Project, on a revenue-producing basis. CWRU also covenants during such period to fix, revise as often as necessary, charge and collect such reasonable tuition fees, student fees, rates, other fees, rentals and charges for the use and occupancy of its educational facilities, including the Project or any part thereof, and for any other facilities operated by CWRU, in amounts so that CWRU shall receive gross cash receipts in each fiscal year that, together with other money legally available to it, are sufficient (as determined in accordance with generally accepted accounting principles then in effect and applicable to non-profit educational institutions) to pay the following costs (without priority of any one clause over another): (i) currently all of CWRU's expenses during such fiscal year for its operation, including those expenses incurred in carrying out its educational purposes, and for the operation, maintenance and repair of all its educational facilities, including the Projects, and any other facilities operated by CWRU, (ii) all Rental Payments and Additional Payments under the Lease due in such fiscal year, (iii) all other obligations imposed by the Bond Documents upon CWRU payable during such fiscal year, and (iv) all indebtedness and other obligations of CWRU due in such fiscal year as the same become due and payable.

Maintenance and Insurance

CWRU has agreed that during the term of the Lease it will keep the Projects in good repair and good operating condition at its own cost. In the event that CWRU defaults under the Lease and the Lease is terminated, CWRU will surrender the Project to the Commission in as "good condition" as the Project was in at the time CWRU had full possession of the Projects. "Good condition" permits loss to the Projects by fire or other casualty covered by insurance, ordinary wear and tear, obsolescence and acts of God.

CWRU has agreed to maintain, during the term of the Lease, insurance coverage with respect to its educational facilities, including the Projects, and other properties of CWRU and the operation and maintenance thereof of such type and in such amounts and against such risks as are normal for educational facilities of similar type and size. Such insurance shall include (i) property insurance in an amount (subject to a maximum required amount of $700,000,000) which shall be at least equal to the then replacement value of the Projects, (ii) comprehensive general liability insurance, (iii) workers' compensation and employer's liability coverage and (iv) fidelity bonds on all officers and employees of CWRU who have access to or custody of any revenues or CWRU funds. CWRU also has agreed, as long as Bonds are outstanding, (i) that the foregoing insurance policies will prohibit cancellation or substantial modification without at least 45 days' prior written notice to CWRU and the Trustee, (ii) to cause the Trustee and the Commission to be named as an additional party insured under the property insurance policies, and (iii) to cause the Commission and the Trustee to be named as an additional party insured under the comprehensive general liability insurance policies.

Annual Statement

CWRU agrees to have an annual audit of its financial statements made by an independent certified public accountant and to provide that audit report to the Commission, the Trustee and the Underwriters within 120 days after the end of each fiscal year.

Merger, Consolidation or Transfer of Assets

During the term of the Lease, CWRU is to maintain its existence as an educational institution not for profit and will not dissolve or otherwise dispose of all or a substantial part of its assets or merge into another corporation or entity or permit one or more other corporations or entities to consolidate with or merge into it, unless the corporation or entity surviving such merger or other transaction (i) is a State university or college or holds a certificate of authorization from the Ohio Board of Regents pursuant to Section 1713.02 of the Ohio Revised Code, (ii) is Tax Exempt Organization, (iii) has an aggregate, unrestricted net asset balance equal to at least 90% of that balance of CWRU prior to such merger or other transaction, (iv) expressly assumes all agreements of CWRU under the Bond Documents, (v) shall not have assumed any obligations or liabilities not permitted by the Lease, (vi) no Event of Default under the Lease shall have occurred and be continuing and no event shall have occurred and be continuing that with the lapse of time or giving of notice or both would constitute such an Event of Default, (vii) either (a) no litigation is pending against the Surviving Institution in which the amount claimed that is not fully covered by insurance exceeds $5,000,000 in any one suit or in the aggregate of all suits or (b) the Surviving Institution shall provide to the Trustee an opinion of Independent Counsel that, in the judgment of such Independent Counsel, the aggregate liability of the Surviving Institution in all pending litigation against it does not exceed the amount available under any and all liability policies carried (or reserves allocated) by the Surviving Institution to insure payment of amounts owing under judgments awarded in, or settlements of, such litigation, and (viii) such merger, consolidation or transfer of assets will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

CWRU will be deemed to have disposed of a substantial part of its assets if during any fiscal year it disposes of 25% or more of its assets, whether or not shown as assets on the balance sheets of CWRU. However, the sale or exchange of securities or real estate held for investment purposes in order to obtain other securities or real estate to be held for investment purposes will not be deemed to be a disposal of assets.

Indemnification of the Commission

CWRU has agreed to hold the Commission harmless against all costs, liabilities, losses, expenses and claims arising from (i) any loss of or damage to property, or any injury to or death of any person, that may be occasioned by any cause pertaining to the Project or its use, nonuse or condition, (ii) any breach or default by CWRU under the Bond Documents, the acquisition, construction, improvement or equipping of the Project, or any act or a failure to act by CWRU, its agents, contractors, servants, employees or licensees, (iii) the Commission's authorization, issuance and sale of the Bonds and provision of any information or certification in connection therewith, (iv) any failure of CWRU to comply with any requirements of the Bond Documents or the Code, as hereinafter defined, pertaining to the exclusion of interest on the Bonds from gross income for federal income tax purposes including covenants in the Tax Agreement, (v) ownership of any interest in the Project or any part thereof; (vi) the performance of any labor or services or the furnishing of any materials or other property in respect of the Project or any part thereof; (vii) any action, claim or proceeding brought in connection with any of the foregoing; and (viii) to the extent of the aggregate amount paid in settlement of any action, claim or proceeding commenced or threatened based upon any of the foregoing, if the settlement is effected with the written consent of CWRU (which consent shall not be withheld unreasonably).

CWRU's Options to Terminate Lease and to Purchase the Projects

CWRU has the option to terminate the Lease at any time after the Trust Agreement has been released pursuant to its provisions and all payments due under the Lease have been made or provided for.

CWRU also has the option to terminate the Lease if any of the following extraordinary events occur:

(a) All or a substantial part of the Projects is damaged or destroyed to such extent that (i) the Projects cannot be reasonably restored within a period of six months to their condition at the time immediately preceding the damage or destruction or (ii) CWRU is thereby prevented from carrying on its normal operation of the Projects for a period of six months;

(b) Title to, or the temporary use of, all or a substantial part of the Projects is taken under the exercise of the power of eminent domain by any government authority, or person, firm or corporation acting under governmental authority, to such extent that (i) the Projects cannot be reasonably restored within a period of six months to a condition comparable to its condition prior to such taking or (ii) CWRU is thereby prevented from carrying on its normal operation of the Projects for a period of six months;

(c) As a result of any changes in the Constitution of the State or the Constitution of the United States or of legislative or administrative action (whether State or federal) or by final decree, judgment or order of any court or administrative body (whether State or federal) entered after the contest thereof by the Commission or CWRU in good faith, the Lease becomes void or unenforceable or impossible of performance, or if unreasonable burdens or excessive liabilities are imposed upon the Commission or CWRU with respect to the Projects or its operation; or

(d) CWRU loses its status as a federally tax-exempt organization but only if such loss results in the interest on the Bonds no longer being excluded from gross income for federal income tax purposes.

For purposes of this paragraph, the term "substantial part" when used with reference to the Projects means any part of the Projects, the total cost of which (as determined by CWRU) equals or exceeds the lesser of (i) at least 25% of the aggregate principal amount of the Bonds originally issued or (ii) an amount equal to the aggregate principal amount of the Bonds then outstanding.

In order to exercise the option described in the preceding paragraph, CWRU must give written notice to the Commission (and, if applicable, the Trustee) within 90 days following the event authorizing the exercise thereof, and is required to make arrangements satisfactory to the Trustee for the redemption of all Outstanding Bonds pursuant to the provisions described herein under "THE BONDS – Description of the Bonds – Redemption" and pay as the redemption price for the Bonds the following:

(a) to the Trustee, an amount of money that, together with the money and investments held to the credit of Special Funds, will be sufficient pursuant to the provisions of the Trust Agreement to pay the principal of and any premium and interest accrued on the Bonds to the redemption date, and to discharge all then Outstanding Bonds; and

(b) to the Trustee or to the Persons to whom Additional Payments are or will become due, an amount of money equal to the Additional Payments accrued and to accrue until actual final payment and redemption of the Bonds.

The Lease provides that upon its expiration, CWRU shall purchase the Commission's entire interest in the Project for a nominal sum.

CWRU to Maintain Its Existence

CWRU has agreed to maintain, during the term of the Lease, its existence as a nonprofit educational institution and not to dissolve or otherwise dispose of all or a substantial part of its assets or merge into or consolidate with another corporation or entity or permit one or more other corporations or entities to consolidate with or merge into it, unless the corporation surviving such merger (i) is a State university or college or holds a certificate of authorization under Section 1713.02 of the Ohio Revised Code, (ii) is an organization described in Section 501(c)(3) of the Code and is exempt from federal income taxation under Section 501(a) of the Code or is a governmental unit, (iii) expressly assumes all agreements of CWRU under the Lease and (iv) meets certain other conditions described in the Lease.

CWRU will be deemed to have disposed of a substantial part of its assets if during any fiscal year it disposes of 25% or more of its assets, whether or not shown as assets on the consolidated balance sheet of CWRU. The sale or exchange of securities or real estate held for investment purposes in order to obtain other securities or real estate to be held for investment purposes will not, however, be deemed to be a disposal of assets.

Assignment and Subleasing

The Lease may be assigned in whole or in part, and the Project may be subleased in whole or in part, by CWRU without the necessity of obtaining the consent of the Commission, the Bond Insurer or the Trustee, provided that certain conditions are met, including (i) no such assignment (other than assignments pursuant to the consolidation, merger, sale or other transfer as described in "THE LEASE - University to Maintain its Existence") will relieve CWRU from primary liability for any of its obligations under the Lease and CWRU will continue to remain primarily liable for the payment of Rental Payments and Additional Payments, (ii) any such assignment or sublease will retain for CWRU such rights as will permit it to perform its obligations under the Lease, (iii) the assignee or sublessee from CWRU assumes the obligations of CWRU to the extent of the interest assigned or subleased, (iv) CWRU furnishes copies of such assignment, sublease or grant of use to the Commission, and the Trustee, and (v) any such assignment or sublease will not materially impair fulfillment of the purposes of the Act in providing educational facilities or adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Events of Default

The following are defined as Events of Default under the Lease:

(a) CWRU fails to pay any Rental Payment on or prior to the date on which that Rental Payment is due and payable.

(b) CWRU fails to administer, maintain or operate the Projects as educational facilities in accordance with the Act.

(c) CWRU fails to observe and perform any other covenant, agreement or obligation contained in the Lease, if such failure continues for a period of 60 days after written notice of the failure is given to CWRU by the Commission, the Trustee, or the Bond Insurer requesting that it be remedied. The Commission and the Trustee may agree in writing to an extension of that 60-day period prior to its expiration, provided that if CWRU proceeds to take curative action that, if begun and prosecuted with due diligence, cannot be completed reasonably within the 60-day period, that period shall be increased without a written extension to any extent that shall be necessary to enable CWRU to complete the curative action diligently.

(d) Certain events of dissolution, liquidation, insolvency, bankruptcy, reorganization or other similar events with respect to CWRU occurs.

(e) CWRU fails to make any payment due under a lease or lease agreement entered into between CWRU and the Commission in connection with any issue of State of Ohio Higher Educational Facility Bonds issued to fund a project at CWRU, provided that such failure constitutes an event of default under such lease or lease agreement. CWRU is a party to a number of leases with the Commission in connection with outstanding bonds.

The events described in paragraph (c) above do not constitute Events of Default if caused by Force Majeure, defined in the Lease as acts of God; strikes, lockouts or other employment related disturbances; acts or orders of any kind of any governmental authority; acts of public enemies; terrorist activities or attacks; insurrections; civil disturbances; riots; arrests; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornados; storms; droughts; floods; explosions; breakage, malfunction or accident to facilities, machinery, transmission pipes or canals; partial or entire failure of utilities; shortages of labor, materials, supplies or transportation; or any cause, circumstance or event not reasonably within the control of CWRU.

The declaration of an Event of Default under the Lease and the exercise of remedies upon any such declaration are subject to any applicable limitations of federal bankruptcy law affecting or precluding such declaration or exercise during the pendency of or immediately following any bankruptcy, liquidation or reorganization proceedings.

Remedies on Default

If any Event of Default described above happens and is continuing, any one or more of the following remedies may be taken, although the Trustee is not required to take any remedy that in its opinion will or might cause it to expend time or money unless it has been furnished a satisfactory indemnity bond at no cost to it:

(a) In accordance with the Trust Agreement, the Trustee shall, if acceleration is declared pursuant to the Trust Agreement, and the Trustee may, if acceleration is not declared pursuant to the Trust Agreement, declare all Rental Payments, Additional Payments and other amounts payable under the Lease to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Trustee, (i) may enter and take possession of the Projects without terminating the Lease, (ii) may complete the Projects if not then completed and sublease the Projects or any part thereof for the account of CWRU, holding CWRU liable for completion costs, if any, not reimbursed to the Commission from the proceeds of the Bonds or otherwise, (iii) collect rentals and enforce all other remedies of CWRU under any lease of, or assignments or grants of rights to use or occupy, the Projects, or any part thereof, but without being deemed to have affirmed the lease, assignments or grants, (iv) enter into new leases, assignments and grants on any terms that the Commission or the Trustee may deem suitable for the Projects, or any part thereof, which leases, assignments and grants may provide that the shall not be terminated or affected if CWRU cures the Event of Default, (v) remove CWRU, all other Persons and all property from the Projects, or any part thereof, (vi) hold, operate and manage the Projects, or any part thereof, (vii) receive all earnings, income, rents, issues, profits, proceeds or other sums accruing with respect thereto and (viii) obtain an environmental assessment of all or any part of the real property constituting the Projects.

(c) The Trustee may have access to and inspect, examine and make copies of the books and records and any and all accounts, data and income tax and other tax returns of CWRU.

(d) The Trustee may exercise any and all and any combination of rights, remedies and powers available to it under the Trust Agreement and the Lease and may appoint a receiver.

Amendments of the Lease

The Trust Agreement provides that the Lease may be amended by the Commission and the Trustee without the consent of or notice to the Holders only as may be required (i) by the provisions of the Bond Documents, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Lease, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of the Trust Agreement without the consent of the Holders, or (iv) in connection with any other change therein that, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Holders. Any amendment to the Lease that would change the amount of Rental Payments, or time as of which they are required to be paid, may only be made with the consent of all of the Holders of the Bonds then outstanding. Any other amendments to the Lease may only be made with the written approval or consent of the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding.

THE TAX AGREEMENT

The following is a description of certain provisions of the Tax Agreement. Such description does not purport to be complete or definitive and reference is made to the Tax Agreement for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this description and not otherwise defined under "Certain Defined Terms and Summary of Certain Provisions of the Trust Agreement, the Lease and the Tax Agreement."

The Commission, CWRU and the Trustee are to enter into a Tax Certificate and Agreement dated the date the Bonds are issued and delivered, as amended or supplemented from time to time. CWRU represents that it has taken and covenants that it will take and cause to be taken all actions that may be required of it, alone or in conjunction with the Commission, for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"). CWRU represents that it has not taken or permitted to be taken on its behalf, and covenants that it will not take or permit to be taken on its behalf, any actions that would adversely affect those exclusions under the provisions of the Code.

Unless CWRU receives and provides to the Commission and the Trustee a written opinion of nationally recognized bond counsel acceptable to the Commission that such action will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes and from treatment as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, CWRU will not take any action or fail to take any action that would cause the Bonds not to be considered qualified 501(c)(3) bonds under Section 145 of the Code. The preceding discussion does not purport to be complete or definitive and reference is made to the Tax Agreement for a full and complete statement of the terms and provisions.

APPENDIX D

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Ohio Higher Educational Facility Commission (the "Commission") of $82,490,000 Higher Educational Facility Revenue Bonds, (Case Western Reserve University 2006 Project) dated as of their date of issuance and delivery (the "Bonds") of the State of Ohio (the "State"). The Bonds are being issued for the purpose of providing funds to pay "project costs" of "educational facilities," as those terms are defined in Section 3377.01 of the Revised Code, including costs relating to refunding all or a portion of each of the outstanding (a) State of Ohio Higher Educational Facility Revenue Refunding Bonds (Case Western Reserve University 1997 Series A), which were issued to refund a portion of the then outstanding State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University Project) Series A and B dated October 1 and October 5, 1988, which were originally issued to provide funds to pay costs of constructing, equipping and furnishing a biomedical research facility for the School of Medicine and a building to house the Mandel School of Applied Social Sciences, (b) State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 1997 Series C), which were issued to provide funds to pay project costs relating to constructing, equipping, renovating and improving University facilities, including student residence facilities throughout the campus, the Center for Science Education and Discovery, Clark Hall (classroom, meeting, administrative and related facilities), and the Wickenden Building (classroom, science, administrative and related facilities), (c) State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 2002 Project) Series B, which were issued to provide funds to pay project costs relating to constructing, equipping and furnishing student residence facilities throughout the campus, constructing and equipping a parking garage, constructing and equipping a new addition to the Harland Wood Building of the School of Medicine and renovating and equipping that building, and renovating and equipping various other educational facilities including classrooms, laboratories, faculty offices, residence halls, the former Mt. Sinai Complex and the West Quad (medical, research, classroom, administrative and related facilities), administrative offices, athletic, recreational and health facilities and other campus facilities, and (d) State of Ohio Higher Educational Facility Revenue Bonds (Case Western Reserve University 2004 Project) Series A, which were issued to provide funds to pay project costs relating to the construction of student residential facilities (the North Residential Village), the construction and development of athletic fields (including seating and related facilities), construction of parking facilities, the renovation of and construction of an addition to the former Mt. Sinai Complex and the West Quad (medical, research, classroom, administrative and related facilities), the construction of a new building for the Cleveland Center for Structural Biology, the renovation and expansion of the School of Medicine's Animal Resource Center, the construction of the Case Medical Sciences Learning Center, the acquisition and construction of a new research building and renovation and replacement of systems for campus facilities including windows, HVAC systems, roofs, elevators, Americans with Disabilities Act facilities and other improvements, together, as to each series of the above referenced refunded bonds and all of the above described facilities, with related equipment, furnishings, appurtenances and site improvements (including relocating existing buildings), the acquisition of real property in connection with those facilities and for other University purposes and for such other uses as are permitted by the Act and the Lease (collectively, the "Project"), including costs incidental thereto and the costs of financing and refinancing thereof, and to pay certain issuance costs related to the Bonds. The Bonds are issued and secured by the Trust Agreement (the "Trust Agreement") between the Commission and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The Project has been leased by Case Western Reserve University (the "University"), as lessor, to the Commission, as lessee, under the Base Lease ("Base Lease") and has been leased back to the University under the Lease (the "Lease") between the Commission, as lessor, and the University, as lessee. Pursuant to the Trust Agreement and the Assignment of Rights Under Lease (the "Assignment"), the Commission has assigned to the Trustee for the benefit of the holders of the Bonds substantially all of its rights under the Lease, including the Rental Payments to be made by the University. The documents in the Transcript examined include signed counterparts of the Base Lease, the Lease, the Trust Agreement and the Assignment, each dated as of December 1, 2006. We have also examined a copy of a signed and authenticated Bond.

Based on this examination, we are of the opinion that under existing law:

1. The Bonds, the Base Lease, the Lease, the Assignment and the Trust Agreement are legal, valid, binding and enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally, and except to the extent that the enforceability thereof may be limited by the application of general principles of equity.

2. The Bonds constitute special obligations of the State, and the principal of and interest and any premium on the Bonds (collectively, "debt service") are payable solely from the revenues and other money pledged and assigned by the Trust Agreement and the Assignment to secure that payment, including the payments required to be made by the University under the Lease. The Bonds and the payment of debt service are not secured by an obligation or pledge of any money raised by taxation, and the Bonds do not represent or constitute a debt, or pledge of the faith and credit, of the State or the Commission.

3. The interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Bonds, and any profit made on their sale, exchange or other disposition, are exempt from the Ohio personal income tax, the Ohio commercial activity tax, the net income base of the Ohio corporate franchise tax and municipal and school district income taxes in Ohio.

In giving the foregoing opinion with respect to the treatment of interest on the Bonds and the status of the Bonds under the tax laws, we have assumed and relied upon compliance with the covenants of the University and the Commission, and the accuracy, which we have not independently verified, of the representations and certifications of the University and the Commission contained in the Transcript. The accuracy of certain of those representations and certifications, and compliance by the University and the Commission with certain of those covenants, may be necessary for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes and for other tax effects stated above. Failure to comply with certain of those covenants subsequent to issuance of the Bonds could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Portions of the interest on the Bonds earned by corporations may be subject to a corporate alternative minimum tax under the Code. In addition, under the Code, interest on the Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In rendering this opinion, we have relied upon opinions, certifications and representations of fact, contained in the Transcript, which we have not independently verified, and we have assumed the due authorization, signing and delivery by, and the binding effect upon and enforceability against, the Trustee of the Trust Agreement. We have also relied upon the opinion of Jeanine Arden Ornt, Esq., Vice President and General Counsel for the University, contained in the Transcript, as to all matters concerning the University, including the due authorization, signing and delivery by, and the binding effect upon and enforceability against, the University of the Base Lease and the Lease, matters of title to the Project and the status of the University as a 501(c)(3) organization within the meaning of the Code.

We express no opinion as to the Statement of Insurance printed on the Bonds referring to the financial guaranty insurance policy issued by MBIA Insurance Corporation or as to such insurance referred to in that Statement or in the Trust Agreement.

Respectfully submitted,

APPENDIX E

SPECIMEN OF

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation
Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any 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. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

SPECIMEN

President

Attest:

Assistant Secretary

STD-R-7
01/05

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December 6, 2006

Case Western Reserve University
Cleveland, Ohio

We agree to the inclusion in the Official Statement dated December 6, 2006 with respect to the $82,490,000 State of Ohio Higher Educational Facilities Revenue Bonds (Case Western Reserve University 2006 Project) of our report, dated October 20, 2006 relating to our audit of the financial statements of Case Western Reserve University.

PricewaterhouseCoopers LLP

MBIA

CERTIFICATE OF MBIA INSURANCE CORPORATION

I, Stephanie Taylor Ciavarello, Assistant Secretary of MBIA Insurance Corporation, do hereby certify that the information concerning MBIA Insurance Corporation and its policies as set forth in the Official Statement, dated December 6, 2006 under the caption "Bond Insurance", regarding $82,490,000 State of Ohio, Higher Educational Facility Revenue Bonds (Case Western Reserve University 2006 Project), is accurate.

IN WITNESS WHEREOF, I hereunto set my hand and deliver this Certificate on this 21st day of December, 2006.

Assistant Secretary