

In the opinion of Harris Beach PLLC, Rochester, New York, Bond Counsel to the Agency, under existing statutes, regulations, administrative rulings and court decisions, and assuming compliance with the tax covenants described herein and subject to the limitations set forth herein, interest on the Series 2005 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 calculating the federal alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2005 Bonds is, however, included in "adjusted current earnings" for purposes of computing the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that, under existing statutes, interest on the Series 2005 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof. See "TAX MATTERS" herein regarding certain other tax considerations.



\$47,300,000
CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY
Multi-Modal Civic Facility Revenue Bonds
(Consumers Union of United States, Inc. Project)
Series 2005

Dated: Date of Delivery**Price:** 100%**Due:** June 1, 2036

The issuance by the City of Yonkers Industrial Development Agency (the "Agency") of its Multi-Modal Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Project), Series 2005 (the "Series 2005 Bonds"), are special obligations of the Agency issued under the Indenture of Trust, dated as of December 1, 2005 (the "Indenture"), between the Agency and The Bank of New York, as trustee (the "Trustee"), and are payable solely from a pledge of rental payments to the Agency under a Lease Agreement, dated as of December 1, 2005 (the "Lease Agreement"), between the Agency and the Consumers Union of United States, Inc. (the "Institution"). The Series 2005 Bonds are being issued for the purpose of providing funds for the refunding of prior bonds and financing of a civic facility project described herein. See "INTRODUCTION—Plan of Finance" herein and "THE PLAN OF FINANCE" herein.

The Series 2005 Bonds will initially bear interest at the seven-day Auction Rate until, at the option of the Institution, the Series 2005 Bonds are converted to bear interest at an Auction Rate with a different Auction Period, or at the Daily Rate, Weekly Rate, Term Rate, Flexible Rate, Fixed Rate or an R-FLOATs Rate, all as described herein. The Series 2005 Bonds are issuable only as fully registered bonds and will initially be in denominations of \$25,000 or any integral multiple thereof for so long as the Series 2005 Bonds are in the Auction Rate Mode. **This Official Statement only describes the terms and provisions of the Series 2005 Bonds while in the Auction Rate Mode. If Series 2005 Bonds are converted from the Auction Rate Mode to a different Mode, the Institution and the Agency will supplement this Official Statement or deliver a new official statement or remarketing circular describing the new Mode.**

When issued, the Series 2005 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial interests in the Series 2005 Bonds will be made in book-entry only form. Purchasers of beneficial interests in the Series 2005 Bonds (the "Beneficial Owners") will not receive physical delivery of certificates representing their interests in the Series 2005 Bonds. Interest on the Series 2005 Bonds, together with the principal of and Purchase Price of the Series 2005 Bonds, will be paid directly to DTC, so long as the Series 2005 Bonds are held in book-entry only form. The final disbursements of such payments to the Beneficial Owners of the Series 2005 Bonds will be the responsibility of DTC, the Direct Participants and the Indirect Participants, all as defined and more fully described herein. See "BOOK-ENTRY ONLY SYSTEM" herein.

While the Series 2005 Bonds are in the Auction Rate Mode, the Series 2005 Bonds will not be subject to optional tender for purchase, nor will such Series 2005 Bonds be purchased in the event of a "failed" auction.

The scheduled payment of principal of and interest on the Series 2005 Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the delivery of the Series 2005 Bonds.



THE SERIES 2005 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE BY THE AGENCY AS TO PURCHASE PRICE, PRINCIPAL, SINKING FUND INSTALLMENTS, OR REDEMPTION PRICE, IF APPLICABLE, OR INTEREST ON THE SERIES 2005 BONDS SOLELY FROM THE TRUST ESTATE. THE SERIES 2005 BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK (THE "STATE") OR THE CITY OF YONKERS, NEW YORK (THE "CITY"), AND NEITHER THE STATE NOR THE CITY SHALL BE LIABLE THEREON. THE SERIES 2005 BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE FULL FAITH AND CREDIT OR TAXING POWERS OF THE STATE OR THE CITY. THE SERIES 2005 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AGENCY NOR SHALL THE SERIES 2005 BONDS BE PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR. THE AGENCY HAS NO TAXING POWER.

The Series 2005 Bonds are offered, when, as and if issued by the Agency, by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, subject to the approval of legality by Harris Beach PLLC, Rochester, New York ("Bond Counsel"), and subject to certain other conditions. Certain legal matters will be passed upon for the Agency by its counsel Feerick Lynch PLLC, South Nyack, New York; for the Institution by its special counsel, Arent Fox PLLC, New York, New York; and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York. It is expected that delivery of the Series 2005 Bonds will take place through the facilities of DTC on or about December 22, 2005, in New York, New York.

Merrill Lynch & Co.

\$47,300,000
City of Yonkers Industrial Development Agency
Multi-Modal Civic Facility Revenue Bonds
(Consumers Union of United States, Inc. Project)
Series 2005

Dated: Date of Delivery
Due: June 1, 2036, Price 100%
CUSIP Number ⁽¹⁾ 986083BN2
Last Day of Initial Period: Thursday, January 5, 2006
First Auction Date: Thursday, January 5, 2006
First Interest Payment Date: Friday, January 6, 2006
Auction Period: Seven-day
Auction Dates: Generally each Thursday
Interest Payment Dates: Generally each Friday

The Series 2005 Bonds are being issued initially as bonds that bear interest at an Auction Rate but may be converted in whole or in part at the direction of the Institution, subject to certain restrictions, to bonds that bear interest in any of a Daily Rate, a Weekly Rate, R-FLOATs Rate, a Term Rate, Flexible Rate or Fixed Rate Mode, as described in this Official Statement. The Series 2005 Bonds will bear interest from their date of delivery to and including the last day of the respective Initial Period listed above and thereafter at the applicable rates determined pursuant to the Auction Procedures (as hereinafter defined). Interest on the Series 2005 Bonds is first payable on the respective dates set forth above and thereafter as described in this Official Statement during an Auction Period.

⁽¹⁾ CUSIP numbers have been assigned by an organization not affiliated with the Agency or the Institution and are included solely for the convenience of the holders of the Series 2005 Bonds. Neither the Agency nor the Institution is responsible for the selection or uses of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2005 Bonds or as indicated above. The CUSIP number is subject to being changed after the issuance of the Series 2005 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of the Series 2005 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2005 Bonds. Copyright 2005, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association.

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IN CONNECTION WITH THE OFFERING OF THE SERIES 2005 BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2005 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, salesman or other person has been authorized by the Agency or the Underwriter to give any information or to make any representations other than as contained in this Official Statement and the Appendices hereto in connection with the offering described herein, and if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities other than those identified on the cover page or an offer to sell or a solicitation of an offer to buy such securities in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. The Agency neither has nor assumes any responsibility as to the accuracy or completeness of the information contained in this Official Statement, other than that appearing under the captions "THE AGENCY" and "LITIGATION—The Agency".

Certain information contained in this Official Statement has been obtained from the Institution, The Depository Trust Company, Ambac Assurance and other sources that are believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information and nothing contained in this Official Statement is, or may be relied on as, a promise or representation by the Agency or the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is submitted in connection with the sale of securities referred to herein and may not be used, in whole or in part, for any other purpose. The information and expression of opinions set forth herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

THE SERIES 2005 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE INDENTURE HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON THE EXEMPTIONS CONTAINED IN SUCH ACTS. THE SECURITIES AND EXCHANGE COMMISSION HAS NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. WITH RESPECT TO THE VARIOUS STATES IN WHICH THE SERIES 2005 BONDS MAY BE OFFERED, NO ATTORNEY GENERAL, STATE OFFICIAL, STATE AGENCY OR BUREAU, OR OTHER STATE OR LOCAL GOVERNMENTAL AUTHORITY OR ENTITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OF THE SERIES 2005 BONDS.

IN MAKING ANY INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AGENCY, THE INSTITUTION AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

OFFICIAL STATEMENT
relating to
\$47,300,000
CITY OF YONKERS INDUSTRIAL DEVELOPMENT AGENCY
Multi-Modal Civic Facility Revenue Bonds
(Consumers Union of United States, Inc. Project)
Series 2005

INTRODUCTION

Purpose of this Official Statement

The purpose of this Official Statement, including the cover page and the appendices hereto, is to provide information in connection with the issuance and sale by the City of Yonkers Industrial Development Agency (the “Agency”) of its \$47,300,000 Multi-Modal Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Project) Series 2005 (the “Series 2005 Bonds” and, together with any Additional Bonds, the “Bonds”). Capitalized terms used but not defined in the front portion of this Official Statement shall have the respective meanings given those terms in the Indenture referenced and defined below and in Appendix C hereto.

The Agency

The Agency is a corporate governmental agency constituting a body corporate and politic and a public benefit corporation organized and existing under and pursuant to the New York State Industrial Development Agency Act, constituting Title 1 of Article 18-A of the General Municipal Law of the State of New York (the “State”), as amended from time to time, together with Chapter 83 of the Laws of 1982 of the State, as amended from time to time (collectively, the “Act”).

The Institution

Consumers Union of United States, Inc. (the “Institution”) is a New York not-for-profit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Institution is the publisher of *Consumer Reports* and other consumer oriented print and on-line publications. The Institution’s principal corporate office is located on an approximately 24.5 acre campus in Yonkers, Westchester County, New York (the “Facility”). See Appendix A hereto “CONSUMERS UNION OF UNITED STATES, INC.”

The Series 2005 Bonds

The Series 2005 Bonds are authorized to be issued under and pursuant to the Act, a resolution of the Agency adopted on December 8, 2005 (the “Resolution”) and the Indenture of Trust, dated as of December 1, 2005 (the “Indenture”), between the Agency and The Bank of New York, as trustee (the “Trustee”). The Trustee is also acting as Paying Agent and, should such capacity be required by the Indenture, as Tender Agent for the Series 2005 Bonds.

The Series 2005 Bonds will initially be dated their date of delivery. The Series 2005 Bonds are subject to optional and mandatory redemption prior to their maturity. See “THE BONDS—Redemption of the Bonds” herein.

This Official Statement only describes the terms and provisions of the Series 2005 Bonds while in the Auction Rate Mode. If Series 2005 Bonds are changed from the Auction Rate Mode to a different Mode, the Institution and the Agency will supplement this Official Statement or deliver a new official statement or remarketing circular describing the new Mode.

Plan of Finance

The Series 2005 Bonds will be issued for the benefit of the Institution in order to finance and refinance a portion of the costs of a certain project (the "Project") consisting of (A) the refunding of the Agency's Series 1989 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Project) in the original principal amount of \$20,000,000 and currently outstanding in the aggregate principal amount of \$14,600,000 (the "1989 Bonds"); (B) the refunding of the Agency's Series 1991 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Project) in the original principal amount of \$10,000,000 and currently outstanding in the aggregate principal amount of \$7,700,000 (the "1991 Bonds"); (C) the refunding of the Agency's Series 1994 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Project) in the original principal amount of \$15,000,000 and currently outstanding in the aggregate principal amount of \$12,450,000 (the "1994 Bonds"); (D) financing certain costs of reconstructing, renovating and equipping an approximately 12,500 square feet portion of the Institution's facility located at 101 Truman Street in the City of Yonkers, New York and certain capital expenditures in connection therewith (collectively, the "Improvements") and the acquisition and installation in and around the Improvements of various items of machinery, equipment and other tangible personal property; and (E) paying certain costs and expenses incidental to the issuance of the Series 2005 Bonds. See "PLAN OF FINANCE" herein.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Financial Guaranty Insurance Policy

The scheduled payment of principal of and interest on the Series 2005 Bonds when due will be insured, to the extent sufficient funds for such payment have not been provided, by a Financial Guaranty Insurance Policy (the "Insurance Policy") to be issued by Ambac Assurance Corporation ("Ambac Assurance") simultaneously with the delivery of the Series 2005 Bonds. The form of the Insurance Policy is set forth in Appendix F to this Official Statement. See "BOND INSURANCE" herein.

Pledge Under the Indenture

In order to secure the payment of the principal of, or Redemption Price, if applicable, Sinking Fund Installments for, Purchase Price and interest on the Series 2005 Bonds as the same become due, the Agency pursuant to the Indenture has pledged and assigned to the Trustee (for the benefit of owners), all of its right, title and interest in and to the Lease Agreement, including, all rental payments, revenues and receipts payable or receivable thereunder, excluding, however, the Agency's Reserved Rights, which rights may be enforced by the Agency and the Trustee jointly and severally and any other property, if any, pledged or assigned as additional security for the Series 2005 Bonds. Further, the payment of the principal of, Sinking Fund Installments for, redemption premium, if applicable, and interest on the Series 2005 Bonds has been guaranteed by the Institution pursuant to a Guaranty Agreement, dated as of December 1, 2005, from the Institution to the Trustee. For a description of certain provisions of the Indenture, see "SUMMARY OF THE INDENTURE OF TRUST AND THE LEASE AGREEMENT" in Appendix D attached to this Official Statement.

Limited Obligations

THE SERIES 2005 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AGENCY, PAYABLE BY THE AGENCY AS TO PURCHASE PRICE, PRINCIPAL, SINKING FUND INSTALLMENTS, OR REDEMPTION PRICE, IF APPLICABLE, OR INTEREST ON THE SERIES 2005 BONDS SOLELY FROM THE TRUST ESTATE. THE SERIES 2005 BONDS DO NOT CONSTITUTE AND SHALL NOT BE A DEBT OF THE STATE OF NEW YORK (THE "STATE") OR THE CITY OF YONKERS, NEW YORK (THE "CITY"), AND NEITHER THE STATE NOR THE CITY SHALL BE LIABLE THEREON. THE SERIES 2005 BONDS DO NOT GIVE RISE TO A PECUNIARY LIABILITY OR CHARGE AGAINST THE FULL FAITH AND CREDIT OR TAXING POWERS OF THE STATE OR THE CITY. THE SERIES 2005 BONDS DO NOT NOW AND SHALL NEVER CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE AGENCY NOR WILL THE SERIES 2005 BONDS BE

PAYABLE OUT OF ANY FUNDS OF THE AGENCY OTHER THAN THOSE PLEDGED THEREFOR. THE AGENCY HAS NO TAXING POWER.

Mortgage on a Portion of the Facility

As additional security for the Series 2005 Bonds, the Agency and the Institution have granted to the Trustee a first priority mortgage lien on and security interest in the Mortgaged Premises (as defined in the Mortgage, as defined below) pursuant to a Mortgage and Security Agreement, dated as of December 1, 2005, from the Agency and the Institution to the Trustee (the "Mortgage"). The Mortgaged Premises constitute a portion of the Facility, located in Yonkers, New York.

Security Interest in Collateral

As security for the rental payments due under the Lease Agreement, the Institution will grant the Trustee a first priority lien on and security interest in the collateral (as defined in the Pledge and Security Agreement, as defined below) pursuant to and as described in the Pledge and Security Agreement, dated as of December 1, 2005, from the Institution to the Trustee (the "Pledge and Security Agreement"). So long as no Event of Default shall have occurred and be continuing and except as otherwise provided in the Pledge and Security Agreement any Gross Receipts (as defined in the Pledge and Security Agreement) collected by the Institution may be disposed of by the Institution for any of its corporate purposes and nothing contained in the Pledge and Security Agreement shall be deemed to preclude the Institution from possessing, using, managing, operating and enjoying the Collateral, including Gross Receipts, and any rents, issues, tolls, profits, revenues, income and other proceeds derived therefrom.

Lease Agreement

Concurrently with the delivery of the Series 2005 Bonds, the (i) Agency and the Institution will enter into a Company Lease Agreement with respect to the Facility, dated as of December 1, 2005 (the "Company Lease"), pursuant to which the Institution, as lessor, will lease the Facility to the Agency, as lessee, for the term of the Series 2005 Bonds, and (ii) the Agency and the Institution will enter into a Lease Agreement with respect to the Facility, dated as of December 1, 2005 (the "Lease Agreement"), pursuant to which the Agency will sublease the Facility back to the Company and the Institution will make monthly rental payments thereunder for the term of the Series 2005 Bonds. The Lease Agreement requires the payment of monthly rental payments sufficient to provide for the timely payment of the principal and Redemption Price of, if applicable, and interest on, the Series 2005 Bonds together with certain other fees and expenses as the same become due. The obligation of the Institution to make rental payments under the Lease Agreement will be an absolute, unconditional and general obligation of the Institution. For a further description of the Lease Agreement and for a summary of the Institution's covenants generally, see "SUMMARY OF THE INDENTURE OF TRUST AND THE LEASE AGREEMENT" in Appendix D attached to this Official Statement.

Guaranty Agreement

Concurrently with the issuance of the Series 2005 Bonds, the Institution will enter into the Guaranty Agreement whereby the Institution will unconditionally guarantee to the Trustee for the benefit of the owners from time to time of the Series 2005 Bonds (i) the full and prompt payment of the principal of the Series 2005 Bonds and the indebtedness represented thereby, the Purchase Price of the Series 2005 Bonds when required under the Indenture, if any, and the redemption premium, if any, on the Series 2005 Bonds when and as the same shall become due and payable, whether at stated maturity thereof, by acceleration, call for redemption or otherwise; and (ii) the full and prompt payment of interest on the Series 2005 Bonds when and as the same shall become due and payable (collectively, the "Guaranteed Obligations"). The Institution further irrevocably and unconditionally agrees that upon any default in any of the Guaranteed Obligations, the Institution will promptly pay the same.

Additional Bonds

Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of (i) completing the Project, (ii) providing funds in excess of net proceeds to repair, relocate, replace, rebuild or restore the Facility in the event of damage, destruction or taking by eminent domain, (iii) providing extensions, additions, improvements or facilities to the Facility, the purpose of which shall be to constitute a "project" and a "civic facility" within the meaning of the Act, or (iv) refunding Outstanding Bonds. Such Additional Bonds will be payable from the rental payments, receipts and revenues of the Facility including such extensions, additions and improvements thereto. Prior to the issuance of Additional Bonds and the execution of a Supplemental Indenture in connection therewith, the Agency and the Institution are required to enter into an amendment or supplement to the Lease Agreement to provide, among other things, that the rental payments payable under the Lease Agreement shall be increased and computed so as to amortize in full the principal of and interest on such Additional Bonds and any other costs in connection therewith. In addition, the Institution and the Agency shall enter into an amendment or supplement to each Security Document with the Trustee which shall provide that the amounts guaranteed or otherwise secured thereunder be increased accordingly.

THE AGENCY

The Agency was established in 1982 as a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State of New York duly organized and existing pursuant to the Act for the purposes of promoting the economic welfare of the inhabitants of the City of Yonkers and promoting, attracting, encouraging and developing economically sound commerce and industry through governmental action to prevent unemployment and economic deterioration. The Agency is authorized and empowered under the Act to make leases and to issue its special obligation bonds payable solely from the revenues derived from such leases and, as security for the bonds so issued, to pledge the revenues derived from such leases to secure the payment of such bonds.

The Agency is composed of seven (7) appointed members. The operating staff of the Agency includes professionals in the field of economics and finance. The chairman of the Agency is Hon. Philip A. Amicone, and the Executive Director of the Agency is Edward A. Sheeran. The Agency maintains offices at City Hall, Yonkers, New York 10701.

The Agency has no taxing power. The Series 2005 Bonds shall never constitute a debt of the State or the City of Yonkers, New York and neither the faith and credit nor the taxing power of the State, the City of Yonkers or any political subdivision thereof is pledged to the payment of the principal of or interest on the Series 2005 Bonds, and the Series 2005 Bonds shall not be a debt of the State or any political subdivision thereof and neither the State nor the City of Yonkers shall be liable thereon nor shall the Series 2005 Bonds be payable out of any funds of the Agency other than those duly pledged pursuant to the Indenture.

THE AGENCY HAS NOT VERIFIED, AND DOES NOT REPRESENT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT OTHER THAN INFORMATION SET FORTH UNDER "INTRODUCTION-The Agency" and "THE AGENCY" AND "LITIGATION—The Agency."

THE BONDS

General

The Series 2005 Bonds will be dated their date of delivery in the Auction Rate Mode. The interest rate on the Series 2005 Bonds, commencing on and including the date of delivery of the Series 2005 Bonds and ending on and including the respective dates specified on the inside cover page, is to be determined on or about the Business Day immediately preceding the date of delivery of the Series 2005 Bonds. The interest rates on the Series 2005 Bonds for each succeeding Auction Period thereafter shall, subject to certain exceptions described below, be equal to the Auction Rates (as defined below) that the Auction Agent advises has resulted on the Auction Date from the implementation of the Auction Procedures in which persons

determine whether to hold or offer to sell or, based on the rates bid by them, offer to purchase or sell such Auction Rate Bonds.

After the Initial Period, each succeeding Auction Period will be a seven-day period, subject to certain exceptions, until the length of the Auction Period is changed as described below. Each Auction Period will begin on and include the last Interest Payment Date for the immediately preceding Auction Period to and including the earliest of (a) the day preceding the stated maturity date of such Series 2005 Bonds, (b) the day next preceding the last Interest Payment Date in respect of each Auction Period, and (c) the last day of such Auction Period. Interest on the Series 2005 Bonds will be payable as set forth on the inside front cover hereof and on each Interest Payment Date thereafter. The Series 2005 Bonds will be issued in denominations of \$25,000 or any integral multiple thereof. Interest on the Series 2005 Bonds shall be calculated on the basis of a three hundred sixty (360) day year for the actual number of days elapsed to the Interest Payment Date. See “Provisions Relating to Auction Rate Bonds” below and “Appendix D — SUMMARY OF INDENTURE OF TRUST AND THE LEASE AGREEMENT.”

This Official Statement only describes the terms and provisions of the Series 2005 Bonds while in the Auction Rate Mode. If Series 2005 Bonds are converted from the Auction Rate Mode to a different Mode, the Institution and the Agency will supplement this Official Statement or deliver a new official statement or remarketing circular describing the new Mode.

The Bank of New York has been appointed Auction Agent (the “Auction Agent”) for the Series 2005 Bonds. Its corporate trust address is 101 Barclay Street, 21W, New York, New York, 10286. The Auction Agent may be removed or replaced by the Institution in accordance with the terms of the Indenture and the Auction Agent Agreement, by and among the Auction Agent, the Agency, the Institution and the Trustee (the “Auction Agent Agreement”).

Merrill Lynch, Pierce, Fenner & Smith, Incorporated has been appointed as Broker-Dealer with respect to the Series 2005 Bonds on the date of delivery thereof. The Broker-Dealer may be removed or replaced by the Institution in accordance with the terms of the Indenture, the Auction Agent Agreement, and the Broker-Dealer Agreement, by and among the Auction Agent, the Institution and the Broker-Dealer (the “Broker-Dealer Agreement”).

The method for determining the interest rate on all or a portion of the Series 2005 Bonds may be converted from time to time to a Daily Rate, a Weekly Rate, a Flexible Rate, an R-FLOATs Rate, a Term Rate, a Fixed Rate or a subsequent Auction Rate.

For so long as the Series 2005 Bonds are in the Auction Rate Mode, the Series 2005 Bonds will not be supported by a letter of credit, line of credit, standby bond purchase agreement or other liquidity facility; such Series 2005 Bonds will not be subject to optional tender for purchase, nor will they be purchased in the event of a “failed” auction.

The Series 2005 Bonds will be issued as fully registered bonds and will be registered in the name of Cede & Co., as nominee of DTC, pursuant to DTC’s Book-Entry Only System. Purchases of beneficial interests in the Series 2005 Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Series 2005 Bonds, the Series 2005 Bonds will be exchangeable for other fully registered Series 2005 Bonds in any other authorized denominations of the same maturity without charge except the payment of any tax, fee or other governmental charge to be paid with respect to such exchange, subject to the conditions and restrictions set forth in the Indenture. See “Book-Entry Only System” herein and “Appendix D — SUMMARY OF THE INDENTURE OF TRUST AND THE LEASE AGREEMENT.”

Interest on the Series 2005 Bonds will be payable by check mailed to the registered owners thereof or as otherwise provided in the Indenture. The principal or redemption price of the Series 2005 Bonds will be payable in lawful money of the United States of America at the principal corporate trust office of The Bank of New York, New York, New York, the Trustee and Paying Agent. As long as the Series 2005 Bonds are

registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See "Book-Entry Only System" herein.

Redemption of Bonds

Optional Redemption. The Series 2005 Bonds, while in an Auction Rate Mode, are subject to redemption prior to maturity at the option of the Agency exercised at the direction of the Institution (which option shall be exercised upon giving of notice by the Institution to the Agency and the Trustee of its intention to prepay rental payments due under the Lease Agreement), in whole or in part, on any Interest Payment Date, at a redemption price equal to one hundred percent (100%) of the principal amount to be redeemed or portions thereof to be redeemed plus accrued interest, if any, to the date of redemption.

Extraordinary Redemption. The Series 2005 Bonds are subject to redemption prior to their respective stated Maturity Date, at the option of the Agency, exercised at the direction of the Institution (which option shall be exercised upon the giving of notice by the Institution to the Agency and the Trustee of its intention to prepay rental payments due under the Lease Agreement), in whole on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount thereof, plus accrued interest to the date of redemption, if one or more of the following events shall have occurred:

(i) The Facility shall have been damaged or destroyed to such extent that as evidenced by an opinion of an Independent Engineer filed with the Agency and the Trustee (a) the Facility cannot be reasonably restored within a period of one (1) year from the date of such damage or destruction to the condition thereof immediately preceding such damage or destruction, (b) the Institution is thereby prevented or likely to be prevented from carrying on its normal operation of the Facility for a period of one (1) year from the date of such damage or destruction, or (c) the restoration cost of the Facility would exceed the total amount of all insurance proceeds, including any deductible amount, in respect of such damage or destruction; or

(ii) Title to, or the temporary use of, all or substantially all of the Facility shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in the Institution being thereby prevented or likely to be prevented from carrying on its normal operation of the Facility for a period of one (1) year from the date of such taking or condemnation, as evidenced by an opinion of an Independent Engineer filed with the Agency and the Trustee; or

(iii) As a result of changes in the Constitution of the United States of America or of the State of New York or of legislative or executive action of said State or any political subdivision thereof or of the United States of America or by final decree or judgment of any court after the contest thereof by the Institution, the Lease Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon the Institution by reason of the operation of the Facility.

If the Series 2005 Bonds are to be redeemed in whole as a result of the occurrence of any of the events described above, the Institution is required by the Lease Agreement to deliver to the Agency and the Trustee a certificate of an Authorized Representative of the Institution stating that, as a result of the occurrence of the event giving rise to such redemption, the Institution has discontinued, or at the earliest practicable date will discontinue, its operation of the Facility for its intended purposes.

Mandatory Sinking Fund Installment Redemption. The Series 2005 Bonds are subject to mandatory sinking fund redemption prior to maturity as shown below in part by lot on June 1 (or while in the Auction Rate Mode, on the Interest Payment Date (so long as sufficient funds have been deposited with the Trustee to pay the Redemption Price on such Interest Payment Date) on or immediately succeeding June 1) in each of the years set forth below and in the principal amounts set forth below, at a Redemption Price equal to one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest to the redemption date; provided, however, that the amounts of such Sinking Fund Installments shall be reduced by the credits received pursuant to the Indenture.

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2011	\$1,125,000	2024	\$1,775,000
2012	1,175,000	2025	1,850,000
2013	1,200,000	2026	1,925,000
2014	1,250,000	2027	2,000,000
2015	1,300,000	2028	2,050,000
2016	1,350,000	2029	2,125,000
2017	1,400,000	2030	2,225,000
2018	1,450,000	2031	2,300,000
2019	1,500,000	2032	2,375,000
2020	1,550,000	2033	2,450,000
2021	1,600,000	2034	2,550,000
2022	1,675,000	2035	2,650,000
2023	1,725,000	2036*	2,725,000

*Maturity

Mandatory Redemption Upon Failure to Operate the Facility in Accordance With Applicable Law. The Series 2005 Bonds are also subject to mandatory redemption prior to maturity, at the option of the Agency, as a whole only, on any Interest Payment Date (so long as sufficient funds have been deposited with the Trustee to pay the Redemption Price on such Interest Payment Date), in the event the Agency shall determine that the Institution is not operating the Facility or any portion thereof as a qualified “project” and a “civic facility” under the Act, or is operating the Facility in violation of material applicable law, and the failure of the Institution to cure such noncompliance within the time periods set forth in the Lease Agreement, upon notice or waiver of notice as provided in the Indenture, at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Series 2005 Bonds, together with interest accrued thereon to the date of redemption.

Selection of Bonds. In the event of redemption of less than all of Outstanding Bonds of the same series and maturity for which there is more than one registered Bond, the particular Series 2005 Bonds or portions thereof to be redeemed will be selected by the Trustee by lot. In the event of redemption of less than all the Outstanding Bonds of the same series stated to mature on different dates, the principal amount of such Series of Bonds to be redeemed will be applied in such order of maturity as an Authorized Representative of the Institution will direct the Trustee in writing, or, in the absence of the receipt by the Trustee of such direction, in inverse order of maturity of the Outstanding Series of Bonds to be redeemed by lot within a maturity.

Payment of Redeemed Bonds. Notice having been duly given, the Series 2005 Bonds or portions thereof so called for redemption shall become due and payable on the redemption dates so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date. If, on the redemption date, moneys for the redemption of all the Series 2005 Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be held by the Paying Agents so as to be available therefor on such date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date, (i) interest on the Series 2005 Bonds or portions thereof so called for redemption shall cease to accrue and become payable; (ii) the Series 2005 Bonds or portions thereof so called for redemption shall cease to be entitled to any lien, benefit or security under the Indenture; and (iii) the owners of the Series 2005 Bonds or portions thereof so called for redemption shall have no rights in respect thereof, except to receive payment of the Redemption Price together with interest accrued to the redemption date. If such moneys shall not be so available on the redemption date, such Series 2005 Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Notice of Redemption. Notice of redemption will be mailed by first-class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption, to the registered owners of any Series 2005 Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee. Each notice of redemption will state the date of such notice, the date of delivery of the Series 2005 Bonds, the date fixed for redemption, the Redemption Price, the place or places of redemption (including the name, address and telephone number of a contact person at the Trustee), the CUSIP number (if any) of the Series 2005 Bonds to be redeemed and, in the case of Series 2005 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Series 2005 Bonds the Redemption Price thereof or of said specified portion of the principal amount thereof in the case of a Series 2005 Bond to be redeemed in part only, together with interest accrued thereon to the date fixed for redemption, and that from and after such date, interest on such Series 2005 Bond will cease to accrue and be payable.

Notice of redemption of the Series 2005 Bonds is to be given by the Trustee, at the expense of the Institution, for and on behalf of the Agency.

Any notice mailed as provided in the Indenture will be conclusively presumed to have been duly given, whether or not the registered owner receives the notice. Failure by the Trustee to mail notice of redemption to any one or more of the owners of any Series 2005 Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the owner or owners to whom such notice was mailed.

Any notice of optional redemption given may be rescinded by written notice given to the Trustee and the Agency by the Institution no later than five (5) Business Days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, to the same Persons, as notice of such redemption was given pursuant to the Indenture.

PROVISIONS RELATING TO AUCTION RATE BONDS

Set forth below are certain definitions and provisions applicable to the Series 2005 Bonds bearing interest in the Auction Rate Mode. Additional definitions and provisions are contained in "Appendix C - Definition of Certain Terms."

"Auction Date" shall mean the Business Day immediately preceding the first day of each Auction Period; provided, however, that the last Auction Date in an Auction Period shall be the earlier of (i) the Business Day next preceding the last Interest Payment Date before a Mode Change Date and (ii) the Business Day next preceding the last Interest Payment Date before the Maturity Date of such Series 2005 Bonds.

"Auction Period" shall mean for any Series 2005 Bonds while they are Auction Rate Bonds:

(i) the period from and including an Auction Rate Mode Change Date, to and including the first Auction Date following such Auction Rate Mode Change Date, as applicable; and

(ii) thereafter until a Mode Change Date or until the Maturity Date of the Series 2005 Bonds, each period of thirty-five (35) days (unless changed pursuant to the Indenture) from and including the last Interest Payment Date for the immediately preceding Auction Period, to and including the next succeeding Auction Date or, in the event of an Auction Period with an Interest Payment Date on a Monday, the Sunday following the next succeeding Auction Date, or in the event of a change to a different Mode, to but excluding the Mode Change Date;

provided, if any day that would be the last day of any such period does not immediately precede a Business Day, such period shall end on the next day which immediately precedes a Business Day.

“Auction Rate” shall mean the rate of interest to be borne by the Auction Rate Bonds during each Auction Period, not greater than the Maximum Rate. “Auction Rate” means (i) if Sufficient Clearing Bids exist, the Winning Bid Rate; provided, however, that if all of the Auction Rate Bonds are the subject of Submitted Hold Orders, the Auction Rate will be the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Auction Rate will be the Maximum Rate.

“Interest Payment Date” shall mean each date on which interest is to be paid and is with respect to Auction Rate Bonds, the Business Day immediately following the last day of the initial Auction Period and the Business Day immediately following the last day of each subsequent Auction Period; unless such Auction Period has been changed to a period of 180 days or more in which case the day which is thirteen weeks from the first day of such Auction Period and the same day of each thirteenth week thereafter (unless such day is not a Business Day in which case on the next succeeding Business Day) and the Business Day immediately following the last day of such Auction Period or unless such Auction Period has been changed to a six-month Auction Period in which case to the next succeeding June 1 or December 1.

While the Series 2005 Bonds bear interest at the Auction Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Auction Period commencing after the ownership of the Auction Rate Bonds is no longer maintained in the book-entry system, (ii) each Auction Period commencing after the occurrence and during the continuance of a Payment Default, or (iii) and Auction Period commencing fewer than two Business Days after the cure of a Payment Default).

Determination of Auction Rate

Not later than 9:30 a.m., City of New York time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate and the Auction Rate Index. Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate. The Auction Agent shall then advise the Trustee and the Institution by telephone (promptly confirmed in writing), telex or facsimile transmission of the Auction Rates for the next succeeding Auction Period.

In the event the Auction Agent shall fail to calculate or, for any reason, shall fail to provide the Auction Rate for any Auction Period, or in the event of a failed change of Mode to a Daily Mode, a Weekly Mode, an R-FLOATS Mode, a Term Rate Mode or a Fixed Rate Mode, or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Rate for the next Auction Period shall be as provided in the Indenture. See Appendix D hereto.

Changes in Auction Period or Auction Date

Changes in Auction Period. During any Auction Period, the Institution may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to the Auction Rate Bonds to a period of any integral multiple of 7 days (provided that the length of the first Auction Period after such change in length or a change in Auction Date may be the number of days necessary to result in the immediately following Auction Period having a length which is an integral multiple of seven days) or to a six-month Auction Period or a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Auction Rate Bonds. The Institution shall initiate the change in the length of the Auction Period by giving written notice at least 10 Business Days prior to the Auction Date for such Auction Period to the Agency, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period will change if the conditions described herein are satisfied and the proposed effective date of the change; provided, however, that

in the case of a change from a Special Auction Period of ninety-two (92) or more days, the date of such change shall be the Interest Payment Date immediately following the last day of such Special Auction Period.

Any such changed Auction Period is required to be for a period of any integral multiple of 7 days and must be for all of the Auction Rate Bonds in an Auction Period. The change in the length of the Auction Period shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change. The change in length of the Auction Period will take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Auction Rate Bonds except to the extent such Existing Owner submits an Order with respect to such Auction Rate Bonds. If the condition referred to in the preceding sentence is not met, the Auction Rate for the next Auction Period shall be the Maximum Rate, and the Auction Period shall be a 35-day Auction Period.

Changes in Auction Date. During any Auction Period, the Auction Agent, with the written consent of the Institution, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Auction Rate Bonds.

Conversion

Notice. At the option of the Institution, all or a portion of the Auction Rate Bonds outstanding may be converted to the Daily Mode, Weekly Mode, R-FLOATs Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode on a Conversion Date selected by the Institution; provided that the Institution's right to convert Bonds to another Mode shall terminate on the date of defeasance of the Series 2005 Bonds pursuant to the Indenture; and provided further that no conversion shall be effective if the Series 2005 Bonds are not fully remarketed on the applicable mandatory tender date. If on the proposed Conversion Date to the Daily Mode, Weekly Mode, R-FLOATs Mode or Flexible Mode, any Series 2005 Bonds outstanding (other than the Auction Rate Bonds subject to conversion) will already be in the Daily Mode, Weekly Mode, R-FLOATs Mode or Flexible Mode, the conversion from the Auction Rate Mode shall not take effect unless the Trustee shall have received on or prior to the Conversion Date a notice from any rating agency that is then rating the Bonds, stating that subsequent to such conversion, the rating on the Series 2005 Bonds to be converted from the Auction Rate Mode will be the same as the rating on the other Series 2005 Bonds in the Daily Mode, Weekly Mode, R-FLOATs Mode or Flexible Mode. The Trustee shall give notice of any proposed conversion not fewer than 15 days (or, if the Series 2005 Bonds are then in a special Auction Period of more than 180 days, 30 days) before the proposed Conversion Date to the Registered Owner, the Paying Agent, the Auction Agent and the Broker-Dealer.

Terms of Bonds in Daily, Weekly, R-FLOATs, Flexible, Term Rate and Fixed Rate Modes. The Remarketing Agent shall determine the Daily, Weekly, R-FLOATs, Flexible, Term or Fixed Rate on a Business Day at least one Business Day prior to the proposed Conversion Date to the Daily, Weekly, Flexible, R-FLOATs, Term Rate or Fixed Rate Mode, as applicable. The Daily, Weekly, R-FLOATs, Flexible, Term Rate or Fixed Rate shall be determined by the Remarketing Agent. The Series 2005 Bonds so converted shall be subject to mandatory sinking fund redemption as set forth in the Indenture.

Failure to Convert. If any of the conditions to conversion of the Bonds from the Auction Rate Mode to another Mode are not met, such conversion shall not take effect and the next succeeding subsequent Auction Rate Period shall be a seven-day Auction Rate Period and the Auction Rate of such Auction Rate Period shall be the Maximum Rate. In no event shall the failure of any Bond to be converted to another Mode be deemed to be a default or an Event of Default hereunder.

Mandatory Tender for Purchase

The Auction Rate Bonds shall be subject to mandatory tender for purchase in accordance with the terms of the Indenture, but only upon the request of the Institution, in whole or from time to time in part, on any Regular Interest Payment Date at a price equal to the principal amount thereof, together with interest accrued and unpaid thereon. The Trustee shall give notice of any Mandatory Tender for Purchase not fewer than 30 days prior to such Mandatory Tender Date. In the event that less than all of the Auction Rate Bonds shall be subject to Mandatory Tender for Purchase, the Auction Rate Bonds (or portions of Auction Rate Bonds) to be so purchased shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee, provided that for so long as Cede & Co., as nominee of DTC, is the registered owner, the particular Auction Rate Bonds (or portions thereof) to be purchased shall be selected by DTC, in such manner as DTC may determine, from all Auction Rate Bonds Outstanding.

The Series 2005 Bonds are subject to mandatory tender for purchase, in accordance with the terms of the Indenture, on a Conversion Date to a Variable Rate at a price equal to the principal amount thereof.

The Series 2005 Bonds are subject to Mandatory Tender for Purchase, in accordance with the terms of the Indenture, on the Fixed Rate Conversion Date at a price equal to the principal amount.

The registered owners of Series 2005 Bonds are required to tender the Series 2005 Bonds to the Tender Agent on any Mandatory Tender Date. If any such registered owner fails to properly deliver any Series 2005 Bonds on any Mandatory Tender Date, such Series 2005 Bonds shall be deemed to have been properly tendered to the Tender Agent and, to the extent that there shall be on deposit with the Tender Agent on such Mandatory Tender Date an amount sufficient to pay the principal amount thereof, no interest shall accrue on such Series 2005 Bonds from and after the Mandatory Tender Date and such registered owner of Series 2005 Bonds shall have no rights hereunder thereafter as the owner of such Series 2005 Bonds, except the right to receive the purchase price of such Series 2005 Bonds.

Special Considerations Relating to the Auction Rate Bonds Bearing Interest at Auction Rate

The Auction Agent Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days' notice to the Agency, the Institution, Ambac Assurance, the Trustee and the Broker-Dealer, except that the Auction Agent may resign by giving at least 45 days' notice if it has not been paid (even if a successor Auction Agent has not been appointed). The Auction Agent may be removed at any time by the Institution by written notice, delivered to the Auction Agent, the Agency, Ambac Assurance, the Broker-Dealer and the Trustee. Upon any such resignation or removal, the Institution shall appoint a successor Auction Agent. Except as otherwise described above, the Auction Agent shall continue to perform its duties until its successor has been appointed by the Institution or the Trustee.

The Broker-Dealer Agreement provides that any party thereto may terminate the Broker-Dealer Agreement upon five (5) Business Days' prior notice to the other parties thereto; provided, however, that except upon termination of the Auction Agent Agreement in accordance with its terms, neither the Broker-Dealer nor the Auction Agent may terminate the Broker-Dealer Agreement without first obtaining the prior written consent of the Agency and the Institution to such termination, which consent shall not be unreasonably withheld and a substitute Broker-Dealer has been appointed. In the event the resignation is a result of the Broker-Dealer having not been paid for its services, the Broker-Dealer shall provide 30 days' notice of such resignation, but neither the consent nor the appointment of a successor referred to in the previous sentence shall be required for such resignation to be effective.

For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions, with the result that the interest rate on the Auction Rate Bonds will be determined as follows: (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period will be the same as the preceding Auction Period and the Auction Rate for the new Auction Period will be the same as the Auction Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the new Auction Period will be a seven-day Auction Period and the Auction Rate for the new Auction Period will be the same as the Auction

Rate for the preceding Auction Period. If no Auction is held for three (3) consecutive Auction Periods, the Auction Rate will be the Maximum Auction Rate until a duly appointed Auction Agent and Broker-Dealer are serving under the Indenture.

During an Auction Period, a Beneficial Owner of an Auction Rate Bond may sell, transfer or otherwise dispose of an Auction Rate Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures (see Appendix D) or through the Broker-Dealer. The ability to sell an Auction Rate Bond in an Auction may be adversely affected if there are not sufficient buyers willing to purchase all the Auction Rate Bonds at a rate equal to or less than the Maximum Auction Rate. The Broker-Dealer has advised the Agency and the Institution that it intends initially to make a market in the Auction Rate Bonds underwritten by it between Auctions; however, it is not obligated to make such markets, and no assurance can be given that secondary markets therefor will develop or be maintained. The Broker-Dealer may, in its own discretion, decide to sell the Auction Rate Bonds in the secondary market to investors at any time and at any price, including at prices equivalent to, below, or above the par value of the Auction Rate Bonds.

Broker-Dealer

The initial Broker-Dealer for the Series 2005 Bonds is Merrill Lynch, Pierce, Fenner & Smith, Incorporated. The Institution and the Auction Agent will enter into the Broker-Dealer Agreement with respect to the Series 2005 Bonds and may enter into similar agreements with one or more additional Broker-Dealers (collectively, the “Broker-Dealers”). The Auction Agent will pay to each Broker-Dealer after each Auction, from funds provided by the Institution, a service charge that will be based on a rate equal to the percentage of the stated value of the Bonds held by such Broker-Dealer and such Broker-Dealer’s customers upon settlement in an Auction calculated on an annualized basis. A Broker-Dealer may share a portion of such fee with non participating Broker-Dealers that submit Bids to the Broker-Dealer that are fulfilled at an Auction.

BOOK-ENTRY ONLY SYSTEM

The information under this heading has been furnished by DTC. Neither the Agency nor the Institution makes any representations as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

DTC will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Series 2005 Bonds, in the aggregate principal amount of the Series 2005 Bonds, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 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 National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear

through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2005 Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts the Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2005 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2005 Bonds, such as redemptions, tenders, defaults and proposed amendments to the bond documents. For example, Beneficial Owners of the Series 2005 Bonds may wish to ascertain that the nominee holding the Series 2005 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices are to be sent to DTC. If less than all of the Series 2005 Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Agency 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 Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, Sinking Fund Installments for, Redemption Price, if any, and interest payments on the Series 2005 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Agency or Trustee, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee), the Agency or the Trustee, subject to any statutory or regulatory

requirements as may be in effect from time to time. Payment of principal of, Sinking Fund Installments for, Redemption Price, if any, and interest payments on the Series 2005 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Agency or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the Agency or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2005 Bond certificates are required to be printed and delivered.

The Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2005 Bond certificates will be printed and delivered to DTC.

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but neither the Agency, the Institution nor the Underwriter takes any responsibility for the accuracy or completeness thereof.

THE AGENCY, THE INSTITUTION, THE UNDERWRITER AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE SERIES 2005 BONDS, OR ANY BENEFICIAL OWNER OF SERIES 2005 BONDS IN RESPECT OF THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT, THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT OF THE PRINCIPAL OF OR REDEMPTION PRICE, IF ANY, OR INTEREST ON THE SERIES 2005 BONDS, ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN UNDER THE INDENTURE, THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2005 BONDS, OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.

PLAN OF FINANCE

Use of Proceeds

The Series 2005 Bonds will be issued for the benefit of the Institution in order to finance and refinance a portion of the costs of a certain project (the "Project") consisting of (A) the refunding of the Agency's Series 1989 Bonds currently outstanding in the aggregate principal amount of \$14,600,000, proceeds of which were used for the acquisition, renovation and equipping of an approximately 15.18 acre parcel of land and the improvements thereon located at 101 Truman Street in the City of Yonkers, New York; (B) the refunding of the Agency's Series 1991 Bonds currently outstanding in the aggregate principal amount of \$7,700,000, proceeds of which were used to reimburse the Institution for the costs of acquiring an approximately 9.3 acre parcel of land located adjacent to the Institution's then existing facility; and financing certain capital expenditures in connection therewith; (C) the refunding of the Agency's Series 1994 Bonds currently outstanding in the aggregate principal amount of \$12,450,000, proceeds of which were used to reimburse the Institution for and finance certain costs in connection with construction of an approximately 75,000 square foot addition to the then existing facility and renovations thereto; (iii) purchase of various office and laboratory equipment; (D) financing certain costs of reconstructing, renovating and equipping an approximately 12,500 square feet portion of the Facility and certain capital expenditures in connection therewith (collectively, the "Improvements") and the acquisition and installation in and around the Improvements of various items of machinery, equipment and other tangible personal property; (E) paying certain costs and expensed incidental to the issuance of the Bonds; (the costs associated with items (A) through (E) above being hereinafter collectively referred to as the "Project Costs"); and (F) the lease (with an obligations to purchase) of the Facility by the Agency to the Institution.

Notice of redemption with respect to the Series 1989 Bonds, the Series 1991 Bonds and the Series 1994 Bonds (collectively, the Prior Bonds”) is expected to be given on or about the date of delivery of the Series 2005 Bonds. The Prior Bonds are expected to be redeemed on or about January 6, 2006.

Verification of Mathematical Computations

Grant Thornton LLP, a firm of independent public accountants, will deliver to the Institution and the Trustee, on or before the settlement date of the Series 2005 Bonds, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the escrow securities, to pay, when due, the maturing principal of, interest on the Prior Bonds.

The verification performed by Grant Thornton LLP will be solely based upon data, information and documents provided to Grant Thornton LLP by the Institution and its representatives. Grant Thornton LLP has restricted its procedures to recalculating the computations provided by the corporation and its representatives and has not evaluated or examined the assumptions or information used in the computations.

Interest Rate Swap Transaction

In anticipation of the issuance of the Series 2005 Bonds, on November 14, 2005, the Institution entered into an interest rate exchange agreement (the “Swap Contract”) with Morgan Stanley Capital Services (the “Swap Provider”) for the purpose of converting a portion of the Institution’s variable rate exposure relating to a portion of the Series 2005 Bonds to a fixed rate. The Swap Contract is in an aggregate notional amount equal to \$32,900,000. The aggregate notional amount of the Swap Contract reduces on or about the same dates as, and proportionally with, the respective aggregate amounts specified for the mandatory sinking fund redemption of the Series 2005 Bonds, but under certain circumstances may terminate prior to the maturity of the Series 2005 Bonds. Under the terms of the Swap Contract, the Institution will pay a fixed rate to the Swap Provider and receive a variable rate. The guarantor of the Swap Provider is, as of the date of the Swap Contract, rated in the second highest long term rating category by at least two nationally recognized rating agencies (the “Swap Provider”). The Swap Contract is expected to be an unsecured general obligation of the Institution. The Bond Insurer has, pursuant to a Surety Bond for Swap Agreement (the “Swap Surety”), agreed to insure the regular swap payments made by the Institution to the Swap Provider; the Swap Surety will not cover any termination payment required to be made by the Institution if such payment is ever required.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2005 Bonds are expected to be applied as follows:

Estimated Sources of Funds

Series 2005 Bonds.....	<u>\$47,300,000</u>
Total Sources of Funds	<u>\$47,300,000</u>

Estimated Uses of Funds

Project Costs	\$10,000,000
Redemption of the prior bonds.....	35,045,812
Costs of Issuance*	<u>2,254,188</u>
Total Uses of Funds	<u>\$47,300,000</u>

* Includes Trustee Fee, the Issuer Fee, the State Bond Issuance Fee, Underwriter’s discount, premium for Insurance Policy and other fees.

BOND INSURANCE

The following information has been supplied by Ambac Assurance for inclusion in this Official Statement. No representation is made by the Agency, the Institution or the Underwriter as to the accuracy or completeness of the information.

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the “Insurance Policy”) relating to the Series 2005 Bonds effective as of the date of issuance of the Series 2005 Bonds. Under the terms of the Insurance Policy, Ambac Assurance will pay to The Bank of New York, in New York, New York or any successor thereto (the “Insurance Trustee”) that portion of the principal of and interest on the Series 2005 Bonds which will become Due for Payment but will be unpaid by reason of Nonpayment by the Institution (as such terms are defined in the Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance will have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2005 Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2005 Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2005 Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2005 Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2005 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2005 Bond which has become Due for Payment and which is made to an owner by or on behalf of the Institution has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Insurance Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Insurance Policy, payment of principal requires surrender of the Series 2005 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2005 Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Insurance Policy. Payment of interest pursuant to the Insurance Policy requires proof of owner entitlement to interest payments and an appropriate assignment of the owner’s right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2005 Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2005 Bonds and will be fully subrogated to the surrendering owner’s rights to payment.

The Insurance Policy does not insure against loss relating to payments made in connection with the sale of Series 2005 Bonds at Auctions or losses suffered as a result of an owner's inability to sell Series 2005 Bonds.

The Insurance Policy does not insure against loss relating to payments of the purchase price of the Series 2005 Bonds upon tender by a registered owner thereof or any preferential transfer relating to payments of the purchase price of the Series 2005 Bonds upon tender by a registered owner thereof.

The insurance provided by the Insurance Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Ambac Assurance Corporation

Ambac Assurance Corporation ("Ambac Assurance") is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately \$8,645,000,000 (unaudited) and statutory capital of approximately \$5,403,000,000 (unaudited) as of September 30, 2005. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its financial guaranty insurance policy will be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Series 2005 Bonds.

Ambac Assurance makes no representation regarding the Series 2005 Bonds or the advisability of investing in the Series 2005 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc. (the "NYSE"), 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and filed on March 15, 2005;
2. The Company's Current Report on Form 8-K dated April 5, 2005 and filed on April 11, 2005;
3. The Company's Current Report on Form 8-K dated and filed on April 20, 2005;
4. The Company's Current Report on Form 8-K dated May 3, 2005 and filed on May 5, 2005;
5. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2005 and filed on May 10, 2005;
6. The Company's Current Report on Form 8-K dated and filed on July 20, 2005;
7. The Company's Current Report on Form 8-K dated July 28, 2005 and filed on August 2, 2005;
8. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2005 and filed on August 9, 2005;
9. The information furnished and deemed to be filed under Item 2.02 contained in the Company's Current Report on Form 8-K dated and filed on October 19, 2005;
10. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2005 and filed on November 9, 2005; and
11. The Company's Current Report on Form 8-K dated November 29, 2005 and filed December 5, 2005.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information."

BONDOWNERS' RISKS

AN INVESTMENT IN THE SERIES 2005 BONDS INVOLVES A DEGREE OF RISK. A BOND OWNER IS ADVISED TO READ THIS SECTION AND THE SECTION "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2005 BONDS. Future revenues and expenses of the Institution are subject to future events and considerations that cannot be determined at this time.

The paragraphs set forth below discuss certain owners' risks, but are not intended to be a complete enumeration of all risks associated with the purchase or holding of the Series 2005 Bonds.

Introduction

The Series 2005 Bonds will represent a secured obligation of the Institution. The ability of the Institution to make the payments required in respect of the Series 2005 Bonds will depend on the ability of the Institution to obtain sufficient revenues from its operations to meet such obligations. No representation or assurance is given or can be made that revenues will be realized by the Institution in amounts sufficient to meet such obligations. These revenues are affected by and subject to conditions which may change in the future to an extent and with effects that cannot be determined at this time. The risk factors discussed below should be considered in evaluating the ability of the Institution to make payments in amounts sufficient to meet its obligations in respect of the Series 2005 Bonds. This discussion is not and is not intended to be exhaustive.

Bond Insurance

In the event that the Agency fails to make payment of the principal of and interest on the Series 2005 Bonds when the same become due, the Trustee may make a claim against Ambac Assurance for such payments. The Insurance Policy does not insure the principal of or interest on the Series 2005 Bonds coming due by reason of acceleration or optional redemption, nor does it insure the payment of any redemption premium payable upon the redemption of the Series 2005 Bonds. Under no circumstances, including a situation in which the interest on the Series 2005 Bonds may become subject to federal taxation for any reason, will the maturities of the Series 2005 Bonds be accelerated except with the consent of Ambac Assurance. Furthermore, so long as Ambac Assurance performs its obligations under the Insurance Policy, the Trustee may exercise only such remedies in the event of default under the Bond Indenture as are consented to by Ambac Assurance. See “BOND INSURANCE” herein.

As long as the Insurance Policy is in effect and Ambac Assurance has not lost its consent rights, the Indenture, the Lease Agreement, the Mortgage and the Pledge and Security Agreement may be amended from time to time only with the consent of the Insurer and, except in certain circumstances, without the necessity of obtaining the consent of any Bondholder regardless of the current rating on bonds insured by Ambac Assurance, including the Series 2005 Bonds. Such amendments could be material and could result in the modification, waiver or removal of significant covenants or restrictions contained in the Indenture or the Lease Agreement without Bondholder consent. Such amendments could adversely affect the security of the holders of the Series 2005 Bonds.

In the event that Ambac Assurance is unable to make payments of principal and interest on the Series 2005 Bonds as such payments become due, the Series 2005 Bonds would be payable solely from moneys received by the Trustee pursuant to the Lease Agreement and the Indenture.

The ratings on the Series 2005 Bonds set forth on the cover page hereof are dependent on the ratings of Ambac Assurance. Ambac Assurance’s current ratings are predicated upon, among other things, a level of reserves in excess of the levels required by the various state agencies regulating insurance companies. The level of reserves maintained or required to be maintained by Ambac Assurance could change over time, and this could result in a downgrading of the long-term ratings on the Series 2005 Bonds. Ambac Assurance is not contractually bound to maintain its present level of reserves in the future. See “RATINGS” herein.

Project Risks

Cost overruns resulting from design changes, unforeseen occurrences or delays in the construction and installation of the Project could cause the cost of the Project to exceed the aggregate funds available therefor. Such cost overruns could impact upon the funds otherwise available to make payments under the Lease Agreement and the Mortgage.

Limitations on Real Property Security

Pursuant to the Mortgage, the Institution has granted to the Trustee a security interest in certain of its facilities constituting a portion of the Facility. Many of these structures are special purpose facilities and may not be suitable for other purposes. In the event of a default, proceeds from the Mortgage may not yield sufficient revenues upon foreclosures to satisfy the payment obligations of the Institution.

No Liquidity Facility

The Series 2005 Bonds will not be supported by any liquidity facility while the Series 2005 Bonds are in the Auction Rate Mode. No party has an obligation to purchase tendered Series 2005 Bonds. No assurance can be given that tendered Series 2005 Bonds will be successfully remarketed.

Special Considerations for Purchasers of Auction Rate Bonds

Prospective purchasers of the Auction Rate Bonds should note the following:

The ability of any Holder of Auction Rate Bonds to sell such Auction Rate Bonds in any Auction is directly contingent upon the Auction Agent's receipt of Sufficient Clearing Bids. If Sufficient Clearing Bids are not received, Submitted Orders shall be accepted or rejected and a Holder of Auction Rate Bonds who submits a Sell Order may be required to continue to hold such Auction Rate Bonds.

The Broker-Dealer Agreement provides that the Broker-Dealer may submit an Order in Auctions for its own account. If the Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over the Bidders in that it would have knowledge of Orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers (if any) in that Auction. In the Broker-Dealer Agreement, the Broker Dealer will agree to handle customer orders in accordance with their respective duties under applicable securities laws and rules.

The Broker-Dealer has advised the Institution that the Broker-Dealer and various other broker-dealers and other firms that participate in the auction rate securities market received letters from the staff of the Securities and Exchange Commission (the "SEC") in the spring of 2004. The letters requested that each of these firms voluntarily conduct an investigation regarding its respective practices and procedures in that market. Pursuant to these requests, the Broker-Dealer conducted its own voluntary review and reported its findings to the SEC staff concerning this inquiry. Neither the Broker-Dealer, the Agency nor the Institution can predict the ultimate outcome of the inquiry or how that outcome will affect the market for or interest rate on the Auction Rate Bonds.

Payment of Debt Service

The principal of and interest on the Series 2005 Bonds are payable from rental payments paid by the Institution to the Agency under the Lease Agreement and from the Institution's payment obligation under the Guaranty Agreement. No representation or assurance can be made that revenues will be realized by the Institution in the amounts necessary to make payments at the times and in the amounts sufficient to pay the debt service on the Series 2005 Bonds.

Further revenues and expenses of the Institution will be affected by events and conditions relating generally to, among other things, demand for the Institution's services and publications, the ability of the Institution to provide the required services and publications and to control costs, management capabilities, competition, legislation and governmental regulation, including without limitation, laws or regulations concerning environmental quality, work safety and accommodating the handicapped, unionization of the Institution's work force with consequent impact on wage scales and operating costs, developments affecting the federal or state tax-exempt status of non-profit organizations or imposition of local property taxes. Unanticipated events and circumstances may occur which cause variations from the Institution's expectations.

Enforceability of Lien on Gross Receipts

The Lease Agreement provides that the Institution shall make payments to the Agency sufficient to pay the Series 2005 Bonds and the interest thereon as the same become due. The obligation of the Institution to make such payments is secured in part by a lien granted by the Institution on the Gross Receipts pursuant to the Pledge and Security Agreement.

In the event of bankruptcy of the Institution, transfers of property made by the Institution at a time that it was insolvent in payment of or to secure an antecedent debt, including the payment of debt or the transfer of any collateral, including receivables and Gross Receipts on or after the date which is 90 days (or, in some circumstances, one year) prior to the commencement of the case under the Bankruptcy Code may be subject to avoidance as preferential transfers. Under certain circumstances a court may have the power to direct the use of Gross Receipts to meet expenses of the Institution before paying debt service on the Series 2005 Bonds. In addition, Gross Receipts or other items of collateral acquired by the Institution after the commencement of a case under the Bankruptcy Code may not be subject to the lien created by the Pledge and Security Agreement.

The value of the security interest in the Gross Receipts could be diluted by the incurrence of additional indebtedness secured equally and ratably with (or in certain cases senior or subordinate to) the Series 2005 Bonds as to the security interest in the Gross Receipts.

Enforceability of Remedies

The remedies available to the Trustee, or the registered owners of the Series 2005 Bonds upon the occurrence of an Event of Default under the Indenture or the Lease Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including, specifically, the United States Bankruptcy Code, the remedies provided in the Indenture or the Lease Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2005 Bonds and the delivery of the Indenture and the Lease Agreement will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Secondary Markets and Prices

No party has an obligation to repurchase any Series 2005 Bonds and no representation is made concerning the existence of any secondary market for the Series 2005 Bonds. No assurance can be given that tendered Series 2005 Bonds will be remarketed or that any secondary market will develop following the completion of the offering of the Series 2005 Bonds.

No Redemption Upon Loss of Tax Exemption

As described under “TAX MATTERS” herein, non-compliance with certain requirements of the Internal Revenue Code of 1986, could cause interest on the Series 2005 Bonds to be included in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2005 Bonds. The Series 2005 Bonds are not required to be redeemed and are not subject to acceleration, and the interest rates on the Series 2005 Bonds will not be changed, in the event interest thereon is determined to be includable in gross income for federal income tax purposes. No provision has been made to compensate owners for federal income taxes, interest and/or penalties which may be assessed in connection with any such tax liability or such determination or for any other loss or any diminution of gain which may occur.

Forward-Looking Statements

Certain statements in this Official Statement that relate to the Project and the Institution, including, but not limited to, statements under the captions “PLAN OF FINANCE” and in Appendix A hereto are forward-looking statements that are based on the beliefs of, and assumptions made by, the management of the Institution. These forward-looking statements are generally identifiable by words such as “estimates,” “expects,” “anticipates,” “plans,” “believes” and other similar expressions. Events that could cause future results to differ materially from those expressed in or implied by forward-looking statements or historical experience include the impact or outcome of many factors that are described throughout this Official Statement. Although the ultimate impact of such factors is uncertain, they may cause future performance to differ materially from results or outcomes that are currently sought or expected by the Institution. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results or performance of the Project and the Institution to be materially different from any expected future results or performance.

Legislation

There can be no assurance that future changes in federal or state laws, rules, regulations and policies relating to the taxation of not-for-profit organizations will not have a material adverse effect upon the net revenues of the Institution.

Changes in policy in the following areas could have an adverse effect on the Institution, including: (a) changes in the taxation of non-profit corporations or in the scope of their exemption from income or property taxes; (b) limitations on the amount of charitable contributions which are deductible for income tax purposes; (c) limitations on the amount or availability of tax-exempt financing for Section 501(c)(3) corporations; and (d) regulatory limitations affecting the Institution's ability to undertake capital projects or develop new services.

TAX MATTERS

Federal Income Taxes

In the opinion of Harris Beach PLLC, Bond Counsel, and subject to the limitations set forth in the immediately succeeding paragraph, under the existing statutes, regulations, administrative rulings and court decisions as of the date of such opinion, the interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code. Furthermore, Bond Counsel is of the opinion that interest on the Series 2005 Bonds is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Series 2005 Bonds held by certain corporate taxpayers is included in the computation of "adjusted current earnings" a portion of which will be taken into account in determining the federal alternative minimum tax imposed on such corporations. Corporate purchasers of the Series 2005 Bonds should consult their tax advisors regarding the computation of any alternative minimum tax. Bond Counsel expresses no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Series 2005 Bonds.

The Code establishes certain requirements which must be met at and subsequent to the issuance and delivery of the Series 2005 Bonds in order that interest on the Series 2005 Bonds will be and remain excludable from gross income for federal income tax purposes. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds of the Series 2005 Bonds and other moneys or properties, required ownership of a facility by an organization described in Section 501(c)(3) of the Code or a governmental unit, and the rebate to the United States of certain earnings in respect of investments. Failure to comply with the continuing requirements may cause the interest on the Series 2005 Bonds to be included in gross income for federal income tax purposes retroactive to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Indenture, the Lease Agreement, the Tax Compliance Agreement and accompanying documents, exhibits and certificates, the Issuer and the Company have covenanted to comply with certain procedures, and have made certain representations and certifications, designed to assure satisfaction of the requirements of the Code. In rendering the above-described opinion, Bond Counsel has assumed the accuracy of such representations and certifications and the continuing compliance by the Agency and the Institution with such covenants.

In addition to the matters referred to in the preceding paragraphs, prospective purchasers of the Series 2005 Bonds should be aware that the accrual or receipt of interest on the Series 2005 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences may depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Examples of such other federal income tax consequences of acquiring or holding the Series 2005 Bonds include, without limitation, that (i) with respect to certain insurance companies, the Code reduces the deduction for loss reserves by a portion of the sum of certain items, including interest on the Series 2005 Bonds, (ii) interest on the Series 2005 Bonds earned by certain foreign corporations doing business in the United States may be subject to a branch profits tax imposed by the Code, (iii) passive investment income, including interest on the Series 2005 Bonds, may be subject to federal income taxation under the Code for certain S corporations that have certain earnings and profits, and (iv) the Code requires recipients of certain Social Security and certain other federal retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2005 Bonds. In addition, the Code denies the interest deduction for indebtedness incurred or continued by a taxpayer, including without limitation, banks, thrift institutions, and certain other financial institutions to purchase or carry tax-exempt obligations, such as the Series 2005 Bonds. All prospective purchasers of the Series 2005 Bonds should consult with their tax advisors in order to understand the implications of the Code as to these and other federal

and state tax consequences, as well as any local tax consequences, of purchasing or holding the Series 2005 Bonds.

Certain requirements and procedures contained or referred to in the Indenture, the Lease Agreement, the Tax Compliance Agreement and other relevant documents may be changed, and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of Bond Counsel. Bond Counsel expresses no opinion as to any Series 2005 Bond or the interest thereon if any such change occurs or actions are taken or not taken upon the advice or approval of bond counsel other than Harris Beach PLLC.

Bond Counsel has not undertaken to advise in the future whether any events occurring (or not occurring) or any actions taken (or not taken) after the date of issuance and delivery of the Series 2005 Bonds may affect the tax status of interest on the Series 2005 Bonds. In addition, no assurance can be given that future legislation or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2005 Bonds from gross income for federal income tax purposes.

State and Local Income Taxes

In the opinion of Bond Counsel, under existing statutes as of the date of the Series 2005 Bonds, interest on the Series 2005 Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including without limitation the City of New York and the City of Yonkers).

Attached to this Official Statement as Appendix E and made a part hereof is the form of approving opinion of Bond Counsel.

Interest on the Series 2005 Bonds may or may not be subject to state or local income taxes in jurisdictions other than the State of New York under applicable state or local tax laws. Bond Counsel expresses no opinion as to the tax treatment of the Series 2005 Bonds under other state or local jurisdictions. Each purchaser of the Series 2005 Bonds should consult his or her tax own advisor regarding the taxable status of the Series 2005 Bonds in a particular state or local jurisdiction other than the State of New York.

ALL PROSPECTIVE PURCHASERS OF THE SERIES 2005 BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO OTHER FEDERAL AND STATE TAX CONSEQUENCES, AS WELL AS ANY LOCAL TAX CONSEQUENCES, OF PURCHASING OR HOLDING THE SERIES 2005 BONDS.

All summaries and explanations of provisions of law do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

UNDERWRITING

The Series 2005 Bonds are being purchased for reoffering by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"). The Underwriter has agreed to purchase the Series 2005 Bonds at an aggregate underwriting discount of \$108,790 from the initial public offering price set forth on the cover. The Underwriter may offer and sell the Series 2005 Bonds to certain dealers (including dealers depositing the Series 2005 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than the public offering price stated on the cover page hereof. The purchase contract provides that the Underwriter will purchase all the Series 2005 Bonds if any Series 2005 Bonds are purchased and requires the Institution to deliver to the Underwriter and the Agency on the date the Series 2005 Bonds are sold its letter of indemnification constituting the agreement of the Institution, in accordance with its terms, to indemnify the Underwriter and the Agency and certain other parties against losses, claims, damages, and liabilities arising out of any incorrect statements or information, including the omission of material facts, contained in this Official Statement pertaining to the Institution and other specified matters. The public offering price set forth on the cover page of this Official Statement may be changed after the initial offering by the Underwriter.

INDEPENDENT AUDITORS

The financial statements of the Institution for the fiscal years ended May 31, 2005 and May 31, 2004, included in Appendix B attached to this Official Statement, have been audited by KPMG LLP, independent auditors, as stated in their report appearing therein.

FINANCIAL ADVISOR

Shattuck Hammond Partners LLC, has served as Financial Advisor to the Institution in conjunction with the structuring and negotiations relating to the issuance of the Series 2005 Bonds.

CONTINUING DISCLOSURE

The Agency has determined that no financial or operating data concerning the Agency is material to any decision to purchase, hold or sell the Series 2005 Bonds and the Agency will not provide any such information. The Institution has undertaken all responsibilities for any continuing disclosure for the benefit of the Beneficial Owners of the Series 2005 Bonds as described below, and the Agency will have no liability to the Beneficial Owners of the Series 2005 Bonds or any other person with respect to such disclosures.

The Institution will enter into the Continuing Disclosure Agreement with respect to the Series 2005 Bonds for the benefit of the Beneficial Owners of the Series 2005 Bonds, to provide or cause to be provided, (a) certain annual financial information and operating data in a form similar to that set forth in Appendix A hereto under the captions "Subscriptions" and "Statement of Activities", (b) notice of the failure of the Institution to provide the information described in (a) above, and (c) timely notice of the occurrence of certain material events with respect to the Series 2005 Bonds enumerated in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, such events are: (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the security; (vii) modifications to rights of security holders; (viii) bond calls (other than mandatory sinking fund redemptions); (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the securities; and (xi) rating changes. The Continuing Disclosure Agreement provides that the Institution may satisfy its obligations thereunder by use of the central information repository established by the Texas Municipal Advisory Counsel (www.disclosureusa.org). The Underwriter's obligation to purchase the Bonds is conditioned upon their receiving, at or prior to the delivery of the Series 2005 Bonds, an executed copy of the Continuing Disclosure Agreement. Holders should note that no debt service reserve fund has been established with respect to the Series 2005 Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), and Standard & Poor's Ratings Group, a division of the McGraw Hill Companies ("S&P" and collectively, with Moody's, the "Rating Agencies"), are expected to assign their bond ratings of "Aaa" and "AAA", respectively, to the Series 2005 Bonds with the understanding that upon delivery of the Series 2005 Bonds, the Insurance Policy will be issued by Ambac Assurance. In addition, Moody's and S&P have assigned underlying ratings of "A1" and "A+", respectively, to the Series 2005 Bonds without regard to the Insurance Policy. Such ratings reflect only the view of the respective Rating Agency at the time the rating is issued, and any explanation of the significance of such rating may only be obtained from such Rating Agency. There is no assurance that any of such credit ratings will remain in effect for any given period of time or that any of such ratings will not be lowered, suspended or withdrawn entirely by such Rating Agency, if, in its judgment, circumstances so warrant. Any such lowering, suspension or withdrawal of any of the ratings may have an adverse effect on the market price or marketability of the Series 2005 Bonds.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Series 2005 Bonds by the Agency are subject to the approval of Harris Beach PLLC, Rochester, New York, Bond Counsel to the Agency, whose opinion approving the validity and tax status of the Series 2005 Bonds will be delivered with the Series 2005 Bonds. A copy of the proposed form of the opinion is attached to this Official Statement as Appendix F. Certain legal matters will be passed upon for the Agency by its counsel Feerick Lynch PLLC, South Nyack, New York; for the Institution by its special counsel, Arent Fox PLLC, New York, New York; and for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York.

LITIGATION

The Agency

There is no controversy or litigation of any nature now pending against the Agency or to the knowledge of the members of the Agency, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2005 Bonds or in any way contesting or affecting the validity of the Series 2005 Bonds or any proceedings of the Agency taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or the use of the proceeds of the Series 2005 Bonds.

The Institution

Litigation incidental to the Institution's normal operations is pending. While the ultimate liability, of any, of the Institution is not presently determinable, the Institution believes it has adequate defenses for such litigation, and is to a great extent, covered by insurance. The pending litigation, in aggregate, will not have a materially adverse affect on the Institution's financial condition or its ability to pay debt service on the Series 2005 Bonds.

CERTAIN RELATIONSHIPS OF THE PARTIES

Arent Fox PLLC, special counsel to the Institution has represented the Bond Insurer, the Underwriter, the Financial Advisor to the Institution and an affiliate of the Swap Provider in other unrelated transactions.

MISCELLANEOUS

The references to the Act and the Indenture are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made to the Act and the Indenture for full and complete statements of such provisions. The agreements of the Agency with the owners are fully set forth in the Indenture, and neither any advertisement of the Bonds nor this Official Statement is to be construed as constituting an agreement with the owners. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. A copy of the Indenture is on file at the principal office of the Agency.

Information relating to DTC and the book-entry system described under the heading "BOOK-ENTRY ONLY SYSTEM" has been furnished by DTC and is believed to be reliable, but the Agency does not make any representations or warranties whatsoever with respect to such information.

Appendix A attached to this Official Statement contains information relating to the Institution. With respect to the Institution, while the information contained therein is believed to be reliable, the Agency, the Institution and the Underwriter do not make any representations or warranties whatsoever with respect to such information. Appendix B to this Official Statement sets forth the audited financial statements of the Institution and the report of its independent auditors, KPMG LLP. The Agency and the Underwriter have relied on the information contained in Appendix A and Appendix B attached to this Official Statement.

Appendix C – “DEFINITIONS OF CERTAIN TERMS” and Appendix D – “SUMMARY OF THE INDENTURE OF TRUST AND THE LEASE AGREEMENT” have been prepared by Harris Beach PLLC, Bond Counsel to the Agency. The proposed form of opinion of Bond Counsel is set forth in Appendix E.

Appendix F attached to this Official Statement contains the form of Financial Guaranty Insurance Policy. All Appendices are incorporated as an integral part of this Official Statement.

The Agency and the Institution have duly authorized the execution, delivery and distribution of this Official Statement.

BY:

CITY OF YONKERS INDUSTRIAL DEVELOPMENT
AGENCY

By: /s/ Edward Sheeran
Executive Director

APPROVED:

CONSUMERS UNION OF UNITED STATES, INC.

By: /s/ James A. Guest
President and Chief Executive Officer

By: /s/ Richard B. Gannon
Vice President, Chief Financial Officer

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APPENDIX A

CONSUMERS UNION OF UNITED STATES, INC.

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CONSUMERS UNION OF UNITED STATES, INC.

INTRODUCTION

Consumers Union of United States, Inc. (the “Company” or “CU”), the publisher of *Consumer Reports* magazine, is an independent, nonprofit testing and information organization serving consumers. The Company is a comprehensive source of advice about products and services, personal finance, health and nutrition, and other consumer concerns. Since its founding in 1936, the Company’s mission has been to test products, inform the public and protect consumers. CU’s income is derived solely from the sale of *Consumer Reports* and its other products and services as more fully described herein, and from noncommercial contributions, grants, investments and fees. CU is governed by a board of 18 directors who are elected by CU members and meets three times a year. CU members are comprised of subscribers to *Consumer Reports*.

The Company is incorporated under the laws of the State of New York as a not-for-profit corporation. The Internal Revenue Service determined in 1984 that the Company is exempt from federal income taxation under Section 501 (a) of the Internal Revenue Code, as amended (the “Code”), by virtue of being an organization of the type described in Section 501(c) (3) of the Code.

To advance its mission to provide objective and independent information and advice, the Company accepts no advertising and buys the products it tests on the open market. The ratings, reports and information are intended solely for the use of the Company’s readers and subscribers. The ratings, reports and any other information, including the name of Consumers Union or any of its publications, cannot be used in advertising or for any other commercial purpose or for any use on the Internet. CU actively takes steps to prevent commercial use of its materials, its name or the name of *Consumer Reports*.

The facilities, located in Yonkers, Westchester County, New York, houses CU’s National Testing and Research Center. Before a product enters one of the Yonkers labs, it has been subjected to considerable research. CU gathers data about products and services, consumer demand in the marketplace and what *Consumer Reports* subscribers plan to purchase. Editorial, technical and research staff then scrutinize that material, along with suggestions from subscribers, to develop the Company’s testing schedule.

HISTORY AND EVOLUTION

In 1936, a group of civic leaders met in New York City to launch a product testing and information organization, Consumers Union of United States, Inc. The first issue of *Consumer Reports* was distributed to 3,500 subscribers in May 1936 and included articles on breakfast cereals, milk, lead in toys and Alka Seltzer®. Since then, *Consumer Reports* has published monthly the results of tests on a variety of products from cordless drills to everyday consumer items such as foods and cleaning supplies. Currently, the Company annually tests approximately 3,100 individual products, including cars. In addition to product testing, the Company also evaluates financial, health and other important consumer services and reports on dubious business practices and environmental concerns.

The Company started out in one room in a New York City office building and eventually expanded to occupy eight floors in two separate buildings in New York City. It first occupied its own facility in 1954 in Mount Vernon, New York. The need for further expansion culminated in CU's move in 1991 to its present Yonkers headquarters. The new headquarters, then situated on 15.2 acres, was financed in part through the issuance of the City of Yonkers Industrial Development Agency Series 1989 Civic Facility Revenue Bonds. The Yonkers facility originally had 180,000 square feet of space, compared to the 115,000 square feet that was available in the Mount Vernon buildings. The Company subsequently acquired approximately 9.3 acres of additional land and financed certain capital expenditures of various office and laboratory equipment and related facilities through the issuance of the City of Yonkers Industrial Development Agency Series 1991 and Series 1994 Civil Facility Revenue Bonds.

The Company's Auto Test Division conducts its testing separately in a facility located on 335 acres of land in East Haddam, Connecticut, which the Company purchased in 1989. In addition to housing offices and maintenance shops, the site includes a 5,000-foot long auto-testing track.

PROJECT

The Company is borrowing the proceeds of the Bonds primarily for the purpose of refinancing existing indebtedness as described in the forepart of this Official Statement. In addition, the Company will apply a portion of the Bond proceeds to renovating approximately 12,500 square feet of its Facility and the financing of capital expenditures including the acquisition and installation of various items of machinery, equipment and other tangible personal property.

COMPANY SERVICES

Publications

Over the years, the Company has gradually increased the quantity of information it provides and the number of ways its information is disseminated to the public. In addition to *Consumer Reports*, the Company's publications and information services currently include:

- **ConsumerReports.org.** ConsumerReports.org, accessible at www.ConsumerReports.org, offers convenient access to information and advice. Free areas provide useful listings, product recalls, shopping guidance and sample reports. Site subscribers receive unlimited use, including: searchable access to four years of past reports, ratings, recommendations and advice, current product and service reports, participation in message boards and e-ratings of online commerce sites.
- **Consumer Reports Money Adviser.** This newsletter provides readers with information designed to help them make personal financial decisions.
- **Consumer Reports on Health.** This newsletter offers monthly reporting on nutrition and fitness, prevention and new treatments, medical breakthroughs and the latest medical claims.

- **Consumer Reports Medical Guide.** The medical guide is an online product that offers consumers information and advice on conditions and diseases that have significant impact on health. It aggregates research from leading medical centers to give consumers guidance on handling health problems. The site also rates treatments and includes a comprehensive information database on approximately 900 drugs.
- **Consumer Reports New Car Price Service.** The New Car Price Service equips car-shoppers with pricing and other information beneficial to consumers when purchasing a new vehicle. The service, available by fax, mail, or online, provides car-shoppers with the manufacturer's suggested retail price or "sticker price," the dealer invoice price and the Consumer Reports Wholesale Price, including current national rebates, unadvertised dealer incentives and holdbacks, recommended equipment and negotiating advice.
- **Consumer Reports New Car Buying Kit.** Available at ConsumerReports.org, the kit offers car shoppers access to Consumer Reports' New Car Price Reports, exclusive ratings and reliability information, interactive tools that allow car shoppers to select the vehicle that best fits their needs. The kit also provides current information on prices.
- **Consumer Reports Used Car Price Service.** The Used Car Price Service provides information to consumers when they buy, sell or trade in a used car. The service, available by fax, mail, or online, includes dealer-purchase price ranges, trade in price ranges, a guide to selling or buying a used car, and the Company's reliability data intended to help consumers avoid future repair expenses.
- **Consumer Reports Special Publications.** Through books, buying guides, and special newsstand issues, Consumer Reports Special Publications gives consumers concentrated, focused information on a variety of topics, including new and used cars, products for the home, baby products, travel and personal finance and more.
- **Consumer Reports Television.** Consumer Reports television produces the nationally syndicated Consumer Reports TV News service, shown on more than 90 stations in the United States and Canada every week.
- **Report to Consumers.** "Report to Consumers" provides daily 90-second features, based on articles in Consumer Reports, to more than 200 radio stations across the United States and Canada.

Subscriptions

Subscriptions to ConsumerReports.org have increased significantly since its launch in 1997, while the circulation for *Consumer Reports* magazine has also increased. Subscriptions have increased by more than 5.3% between 2001 and 2005 and subscriptions to ConsumerReports.org by more than 240%. Excluding other products, the subscription/circulation data is as follows for the five most recent fiscal years ended May 31:

	Consumer Reports Subscriptions	Consumer Reports.org	Total
2001	3,908,904	557,000	4,465,904
2002	3,835,200	886,000	4,721,200
2003	3,891,360	1,172,000	5,063,360
2004	3,887,240	1,474,000	5,361,240
2005	4,117,586	1,887,000	6,004,586

Source: Company records

International Consumer Organizations

In 1960, the Company and four other consumer organizations founded Consumers International (“CI”). CI supports, links and represents consumer groups and agencies all over the world. Currently, CI membership exceeds 250 organizations in 115 countries.

The Company is the oldest and largest consumer organization in CI, and among the five founders, is the largest as measured by revenues and subscribers.

GOVERNANCE

The Company is governed by an 18-member Board of Directors (the “Board”). Members of the Board are elected for staggered three-year terms by the Company’s members in annual elections. A Director’s term may be less than three years in cases where a Director has been elected by the Board to complete the term of a Director who resigns, is removed or whose position otherwise becomes vacant prior to the expiration of that Director’s term. Nominees for the Board are selected by a Board Nominating Committee from persons proposed by the Company’s members as well as from the Directors. Under the Company’s By-Laws, directors must be “persons who have no such connections with commercial, business, manufacturing or financial enterprises as are likely to affect their independent judgment as directors.”

The Company is a membership organization under the New York Not-for-Profit Corporation Law. Paid subscribers to *Consumer Reports* may become members by voting in the annual election of the Company’s Directors (ballots are transmitted to paid subscribers), by giving notice of membership or by sending in a nomination for the Board. There is no financial or other obligation to being a member. All members are eligible to vote for the Company’s Directors.

The principal standing committees of the Board are the Executive, Finance and Budget, Audit, Investment and Pension, Development, Conflict of Interest and Compensation. The Company's full Board meets three times a year. The Board determines the Company's major policies, approves the budget and monitors operations. Standing committees and other ad hoc committees meet more regularly as necessary.

Listed below are the current members of the Board of Directors and their principal professional affiliations, location as well as the expiration of their current term.

Board of Directors: 2005-2006

Name/Title	Professional Affiliation	Location	Term Expires
Sharon L. Nelson <i>Chair</i> since 2001	Chief, Consumer Protection, Washington State Attorney General's office	Seattle, WA	2008
Jean Ann Fox <i>Vice Chair</i> since 1982	Director of Consumer Protection, Consumer Federation of America	Yorktown, VA	2007
Burnele Venable Powell <i>Secretary</i> since 1998	Dean and Professor, School of Law, University of South Carolina	Columbia, SC	2006
Clarence Ditlow <i>Treasurer</i> since 2001	Executive Director, Center for Auto Safety	Washington, DC	2008
Pamela Abrams	Vice President, Editor-in-Chief, Parenthood and Family Publishing, Scholastic, Inc.	New York, NY	2006
Robert Adler	Professor of Legal Studies, University of North Carolina	Chapel Hill, NC	2007
William F. Baker	President and CEO, Thirteen/WNET	New York, NY	2007
Christine A. Bjorklund	Communications Consultant	San Francisco, CA	2007
Bernard E. Brooks	President, Bernard E. Brooks	Spartanburg, SC	2006

Name/Title	Professional Affiliation	Location	Term Expires
Joan L. Chambers	Dean of Libraries and Professor Emeritus, Colorado State University	Edwards, CO	2006
Joan B. Claybrook	President, Public Citizen, Inc.	Washington, DC	2006
Barbara S. Friedman	Senior Vice President of Finance & Administration, Association of American Medical Colleges	Washington, DC	2008
Karen Hein	Former President, William T. Grant Foundation	Jacksonville, VT	2007
Paul Hoffman	Author and magazine/Internet consultant	Woodstock, NY	2006
Linda Ginzel	Clinical Professor of Managerial Psychology, University of Chicago Graduate School of Business	Chicago, IL	2008
Carol Izumi	Associate Dean for Clinical Affairs and Professor of Clinical Law, George Washington University	Washington, DC	2007
Teresa Moran Schwartz	Professor of Law Emeritus, George Washington University	Washington, DC	2008
Norman I. Silber	Professor of Consumer Law and History, Hofstra University, School of Law	Hempstead, NY	2008

MANAGEMENT

The Board appoints the President, who is responsible for overseeing the Company's activities and staff, and for the execution of Company policies. The President appoints the Company's Vice Presidents. Within the guidelines established by the Board, the President, with the advice of senior management of the Company, sets and implements operating policy for the Company. A Senior Leadership Team, consisting of 11 senior executives in key positions throughout CU, advances CU's mission and goals by helping shape, set priorities for, and exercise general oversight over the most important strategic, financial, business and human resource matters. Brief biographies of the Senior Leadership Team are presented below.

James A. Guest: President and Chief Executive Officer

Mr. Guest became President and Chief Executive Officer of Consumers Union in February 2001 after a long career in public service and the consumer interest, including 21 years as Chair of CU's Board of Directors.

As its chief executive, Mr. Guest has transformed the Company into a multimedia publisher with more than six million subscribers to CU's products and services and \$160 million in annual revenue. He oversees a work force of nearly 500 at CU's Yonkers headquarters containing 50 state-of-the-art labs, 327-acre auto test facility in East Haddam, Connecticut and public policy and advocacy offices in Washington D.C., Austin, Texas and San Francisco, California.

Mr. Guest has been an advocate in Washington and in the media for the consumer's right to know about and be protected from unsafe and misleading products. As CU's President, he implemented a new Internet advocacy program that empowers consumers to communicate directly with their lawmakers and service providers about marketplace changes. Mr. Guest also serves on the board of Consumers International, a global federation of 250 consumer organizations from 115 countries.

Mr. Guest's public service career has spanned more than three decades. After graduating from Harvard Law School and completing a Woodrow Wilson fellowship in economics at Massachusetts Institute of Technology, he worked as legislative assistant to Senator Edward Kennedy. In the 1970s, Mr. Guest moved to Vermont, where he served as Banking and Insurance Commissioner, Secretary of State and Secretary of Development and Community Affairs.

Over the last 20 years, Mr. Guest has headed several public policy and advocacy groups, including Handgun Control Inc., the Center to Prevent Handgun Violence and Planned Parenthood of Maryland. He was also the founding Executive Director of the American Pain Foundation, a national consumer information, education and advocacy organization for pain prevention and management.

Mr. Guest credits his very first job for introducing him to one of his biggest influences in consumer advocacy. He worked as the paperboy for Dr. Colston Warne-the first Chair of CU's Board of Directors and a pioneering leader in the consumer movement.

Joel Gurin: Executive Vice President

Mr. Gurin oversees content development and publishing, fundraising, consumer research, new product development and strategic planning. He joined CU in 1991 as Science Editor of *Consumer Reports*; he became Editorial Director in 1994 and Executive Vice President in 1997.

As Editorial Director for CU, Mr. Gurin was the chief editor of *Consumer Reports* magazine. He led a complete redesign of the magazine during his tenure. He was also responsible for the newsletter Consumer Reports on Health, Consumer Reports Special Publications, and Consumer Reports Television.

Mr. Gurin oversaw the launch of Consumer Reports Online in 1997; two years later, he developed the business plan to expand and grow the site. Now called ConsumerReports.org, it has become one of the most successful paid content sites on the Web, with two million active paid subscribers as of August, 2005.

As Consumer Reports' Science Editor, Mr. Gurin directed coverage of health care, medicine, the environment and nutrition. Under his leadership, the magazine's health reporting has won awards from the American Medical Association, the National Association of Science Writers and the American Heart Association, as well as two National Magazine Award nominations.

From 1981 to 1990, Mr. Gurin was a founding editor and later the Editor-in-Chief of *American Health* magazine. One of the fastest-growing magazines of the 1980s, *American Health* was also the first health magazine ever to win the National Magazine Award for General Excellence. During his tenure, the magazine was a finalist for two other National Magazine Awards; won the American Psychological Association's National Media Award twice; and won the Sidney Hillman Foundation prize.

Mr. Gurin has also worked as a writer specializing in science and medicine. His books include "The Horizons of Health," "The Dieter's Dilemma," "The California Nutrition Book" and "Mind/Body Medicine." He has written for more than 20 national publications, including *The Atlantic Monthly*, *Smithsonian*, *The New York Times* and *Psychology Today* and won awards from the American Association for the Advancement of Science and the National Association of Science Writers.

Mr. Gurin received an A.B. degree in Biochemical Sciences from Harvard University in 1975, where he graduated Magna Cum Laude and Phi Beta Kappa.

Jeff Asher: Vice President and Technical Director

Dr. Asher is responsible for all consumer-product testing at CU. This testing work includes the evaluations of food, recreation, chemical, home improvement, electronic and major appliance products. He also oversees the evaluation of the cars and trucks rated at the organization's auto test facility in Connecticut. Results from CU automotive tests form the basis of *Consumer Reports'* widely-read automotive content.

In his more than 16 years at Consumers Union, Dr. Asher has expanded the testing scope of CU's technical division to include a wide range of products such as auto batteries, after-market auto parts, gardening products home office products and alcoholic beverages, while maintaining ratings of standard household staples such as small and major appliances and electronic products. He has also led a major effort to accelerate the pace of testing and the volume of product models tested while ensuring accuracy and excellence in quality.

Dr. Asher has overseen the development of new testing systems for rating the durability of products such as electric shavers, knives and treadmills. He has been instrumental in promoting CU's safety mission through its testing of items high in the public-interest such as condoms, fresh chicken, food irradiation and child safety seats. Dr. Asher has also ensured that

readers receive current information about the marketplace's latest technological innovations through his contribution to developing continual testing that appears on ConsumerReports.org.

Dr. Asher came to CU in 1986 as Director of Laboratory Operations and was promoted to Senior Director in 1998. He received his Ph.D. in Mechanical Engineering at Syracuse University. He then spent more than 13 years at General Electric Corporation's ("GE") Research and Development Center where he started out as a Fluid Mechanist involved with jet engine development and high-speed gas dynamic studies. By the time he left GE, he had been promoted to Manager of the Sodium-Sulfur Battery Program developed for utility load-leveling application. Dr. Asher left GE to join Mechanical Technology Incorporated, and for five years managed an engineering service organization involved with electronics, inspection systems development and various mechanical engineering projects.

Mike D'Alessandro: Vice President, Information Systems

Mr. D'Alessandro became Vice President of Information Systems in the fall of 2000. The Information Systems division was created to meet the growing need for the organization to publish its unique content in several different ways and through various types of media, including ConsumerReports.org.

In his role as Vice President, Mr. D'Alessandro is responsible for network infrastructure and enterprise database development and support, as well as developing, integrating, and building information and content management systems that will accommodate the needs of CU's various divisions. He works closely with the Publishing, Editorial, Technical, and Production divisions to ensure that they can access and update CU's content and make the information more readily available to the public. The organization's Customer Relations department also reports to him.

Prior to becoming Vice President, Mr. D'Alessandro had been Consumers Union's Director of Customer Relations since 1994, during which time he improved and modernized the department. He combined an efficient staff with technological resources to serve subscribers more effectively. His work was of particular importance in meeting the needs of ConsumerReports.org customers.

Before joining CU in 1994, Mr. D'Alessandro worked for Xerox Corporation ("Xerox"). While at Xerox, he established and managed the Customer Service Operations for the New York tri-state area, a model operation that was later implemented throughout Xerox. He also held the position of Financial Controller for Xerox's Northeast Customer Administration Center.

Mr. D'Alessandro is an executive member of the Society of Consumer Affairs Professionals' (SOCAP) Editorial Review Committee. He is also a member of the International Customer Service Association (ISCA), which is dedicated to promoting the development and awareness of the customer service profession through networking, education and research.

Mr. D'Alessandro received his B.S. degree in Marketing from Iona College in New Rochelle, New York.

Richard B. Gannon: Vice President, Chief Financial Officer

Mr. Gannon is responsible for overseeing CU's financial activities and operations including accounting, business and financial analysis, treasury, operational planning and budgeting and financial systems.

Before joining CU in 2003, Mr. Gannon worked for Gartner Inc., a leading global IT research and advisory firm in Stamford, Connecticut. As Senior Vice President and Chief Operating Officer of Research and Advisory Services, he was responsible for overseeing operational and financial initiatives of diverse business units. He was also responsible for forecasting activities, project management, strategy development and managing cross-business initiatives.

Mr. Gannon also served as Gartner's Senior Vice President and Chief Financial Officer, North America. In that role, he was responsible for managing all corporate and North American financial operations including business planning and analysis, budgeting, accounting, client financial services, management and Securities and Exchange Commission reporting, tax, treasury and financial systems.

Before joining Gartner in 1996, Mr. Gannon spent 12 years in public accounting, the last eight with PriceWaterhouse LLP in the New York metropolitan region.

Mr. Gannon is a Certified Public Accountant and a graduate of the University of Connecticut, Storrs, Connecticut where he earned his B.S. degree in Accounting.

Eileen B. Hershenov: Vice President and General Counsel

Ms. Hershenov provides and coordinates legal counsel with respect to all of the Company's activities. Before joining CU in 2005, Ms. Hershenov spent 11 years with the Open Society Institute, the flagship private foundation created and funded by financier and philanthropist George Soros. For most of that time, she served as the foundation's General Counsel, heading an in-house legal department. In that capacity, she also represented affiliated Soros foundations and programs in nearly 50 countries worldwide. Ms. Hershenov simultaneously served as the General Counsel to Central European University, a New York graduate university with a principal campus in Budapest, Hungary. From 1992 to 1994, she was a litigation associate with the law firm of Morrison & Foerster in New York. Prior to that, she was a Karpatkin Fellow with the National Legal Department of the American Civil Liberties Union, a Judicial Law Clerk to U.S. District Judge Jack B. Weinstein and an advocate for the New York Public Interest Research Group.

A member of the New York State Bar, Ms. Hershenov is a graduate of Yale College and Yale Law School. She is the author of *The Effect of Equity on Mass Tort Law* (1991, with Judge Jack B. Weinstein) and *Hostage to the Drug War: The National Purse, the Constitution and the Black Community* (1991, with John A. Powell). She sits on the Board of Directors of the Appleseed Foundation.

Rick Lustig: Vice President, Administration and Human Resources

Mr. Lustig has been part of CU's top management team since September 1999. He oversees human resources, employee communications, relations with CU's labor union representatives, facilities management, and office services and purchasing. Prior to this position, Mr. Lustig was CU's Director of Human Resources. He came to the organization as Manager of the Human Resources department in 1991. As head of Human Resources, Mr. Lustig counseled CU staff on employee relations, staffing, and career development matters. He created a staff training and development program, including diversity training, and upgraded the management of staff benefits and pensions.

Prior to his joining CU, he was the Assistant Director of Personnel for the Facilities Management Department at Columbia University. He was also a member of the University's negotiating team in contract talks with the Transport Workers Union and the United Auto Workers, and served as a grievance-hearing officer. Before being employed by Columbia, he was Associate Director of Training and Development for the Department of General Services of the City of New York. In this position, he co-led a joint union-management team devoted to introducing and running quality circles, and also facilitated quality circles for engineers and architects.

Mr. Lustig received a B.A. degree in Political Science from York College of the City University of New York, an M.A. degree in Social Science from the University of Chicago and an M.A. degree in Organizational Psychology from Teachers College, Columbia University, New York, New York.

Kevin McKean: Vice President and Editorial Director

Mr. McKean joined CU as Vice President and Editorial Director in October 2005. In this position, Mr. McKean oversees the editorial content and design for all of CU's publications. Prior to joining CU, Mr. McKean served as Chief Executive Officer and Editorial Director of InfoWorld Media Group, a San Francisco-based business-to-business publishing company with a weekly magazine serving corporate information technology buyers. During his tenure, InfoWorld received 40 print and online editorial honors, including being named to *B2B Magazine's* "Power Media 50" in 2005.

Mr. McKean began his career as a Staff Writer and National Science Writer for the Associated Press. He later served as a Writer and Senior Editor for *Discover* magazine, Senior Editor for *Money* magazine and Founding Editor of Money.com, Assistant Managing Editor/Business and Finance at Time Inc. New Media, and Executive Editor at Forbes.com. From 2000 to 2003, he served as Editorial Director at *PC World*. While under Mr. McKean's leadership, *PC World* won approximately 50 print and online awards.

Mr. McKean received a B.A. degree from Yale University, New Haven, Connecticut. He is a frequent guest lecturer at colleges and conferences, and he has appeared on many radio and television programs, including CNN and the morning shows of all three major television networks.

John Sateja: Vice President, Publishing

Mr. Sateja joined CU in the spring of 2000. He has a background in Internet business, technology and content development. Mr. Sateja oversees publishing for all information products at CU, including ConsumerReports.org, *Consumer Reports* magazine, Consumer Reports on Health, Consumer Reports Special Publications, Consumer Reports Auto Price Services, Consumer Reports Television News, as well as any new products launched.

Under Mr. Sateja's leadership, ConsumerReports.org has exceeded one million active paid subscribers in less than three years and two million subscribers in less than five years.

Prior to joining CU, Mr. Sateja was President of Manufacturing.Net, a business-to-business e-commerce venture. Partners in this joint venture included Cahners Business Information, the largest business magazine publisher in the U.S., and Aspect Development\i2 Technologies, a leading supplier of supply chain solutions.

Before leading Manufacturing.Net, Mr. Sateja was Senior Vice President, Chief Marketing Officer, New Media at Cahners, a Reed Elsevier Division. He was responsible for managing the development of Manufacturing.Net and other electronic media initiatives across the company. In April 1999, Mr. Sateja was selected by *Folio* magazine as one of its "Folio 40 Entrepreneurial Leaders" for his role on a team "that created a powerful b-to-b (business-to-business) Web hub that has a clearly defined objective beyond promoting magazines."

Prior to joining Cahners, Mr. Sateja was President of Media Technologies Group, Inc., a marketing technology and services company focused on developing media management solutions. He has also served as Vice President of Business Development at R.H. Donnelley (a Dun & Bradstreet Company), Vice President of Marketing at Western Union and McGraw-Hill, and has held senior marketing positions at AT&T.

Mr. Sateja graduated with honors from Rutgers University with a B.A. degree in Business and Economics, and received his masters degree in business administration in Marketing from the University of Massachusetts.

Elena Falcone: Senior Director, Strategic Planning & Information Services

Ms. Falcone leads the ongoing work of strategic planning and analysis for the organization as well as oversees the management of CU's information resources. As part of her leadership role in managing the information assets of the Company, Ms. Falcone has built a research department whose goal is to ensure that business and content decisions are based on solid research. Ms. Falcone has led a process to create a strategic plan for the organization. This plan, CU's first fully integrated approach to planning, considers every aspect of the work of CU to ensure future growth and success in years to come.

Ms. Falcone received her B.A. from New York University, Washington Square College of Arts and Sciences and her Master of Library and Information Science degree from Queens College of the City University of New York. She began her career as a librarian at the Brooklyn Public Library and moved on to research and management positions at Phillip Morris, Memorial Sloan Kettering Cancer Center, and PepsiCo.

Gene Kimmelman: Senior Director, Public Policy and Advocacy

Mr. Kimmelman provides overall leadership of, and has ultimate responsibility for, all federal aspects of the Company's advocacy work and serves as CU's chief public policy and political strategist. Mr. Kimmelman is knowledgeable on a variety of public policy issues, including telecommunications, cable television, product liability, antitrust law and other consumer issues.

Mr. Kimmelman is a nationally recognized expert on deregulation and consumer protection issues, particularly in the area of telecommunications. He was the lead consumer advocate during the federal government's consideration of issues such as the America Online/Time Warner merger and the Telecommunications Act of 1996. Mr. Kimmelman has been quoted on telecommunications issues in a variety of publications including the *New York Times*, *The Wall Street Journal*, and *The Washington Post*. He has also been interviewed frequently for network and cable television news programs.

Prior to joining CU, Mr. Kimmelman served for two years as chief counsel and staff director for the Antitrust Subcommittee of the Senate Judiciary Committee. Prior to that, he was legislative director for the Consumer Federation of America ("CFA") where, during his 10-year tenure, he directed CFA's legislative, regulatory, and judicial intervention program. Mr. Kimmelman began his career as a consumer advocate and staff attorney for Public Citizen's Congress Watch.

Mr. Kimmelman is a Phi Beta Kappa, Magna Cum Laude graduate of Brown University. He studied in Denmark as a Fulbright Fellow at Copenhagen University's graduate program on the public sector. He received his law degree from the University of Virginia and was the recipient of the University's Fortsman Fellowship in 1980.

COMPANY POLICY TO AVOID CONFLICTS OF INTEREST

The Company's policies prohibit conflicts of interest, that is, any connections with commercial, business, manufacturing, or financial enterprises that are likely to affect the independent judgment of its officers, directors and employees. All staff members are required to complete an annual Statement of Financial Interests and Professional Activities, which is reviewed by CU's outside conflict of interest monitor.

Management is unaware of any conflicts of interest between the Company and officers, Directors, or employees and any company transactions proposed or completed in which any officer, Director, or employee will have a direct or indirect interest.

FINANCIAL PERFORMANCE

Statement of Activities

The following table summarizes the operations of the Company for the five years ended May 31, 2005 and the five-month periods, ended October 31, 2005 and 2004. The summarized financial data for the years ended May 31, 2005, 2004, 2003, 2002 and 2001 were derived by management from the audited financial statements and should be read in conjunction

with such financial statements, related notes and other financial information of the Company. Results for the five-month periods have been derived from interim unaudited results of the Company and reflect, in the opinion of Management, all adjustments necessary to fairly summarize the results for these periods. Results for the five months ended October 31, 2005 may not necessarily be indicative of the results for the fiscal year ending May 31, 2006.

Statements of Activities
(Dollars in Thousands)

	Fiscal Year Ended May 31					Period Ending 10/31/04	Period Ending 10/31/05
	2001	2002	2003	2004	2005		
Change in unrestricted net assets:							
Revenue and support:							
Subscriptions, newsstand, on-line, and other sales	\$128,919	\$134,264	\$141,453	\$148,821	\$168,003	\$64,919	\$72,725
Contributions	13,038	13,006	13,881	15,091	18,102	6,893	7,429
Investment income, net	1,865	736	2,501	4,842	6,480	2,636	1,709
Net assets released from restrictions	2,535	3,660	4,680	3,911	3,994	1,530	1,651
Other	690	49	155	57	64	12	5
	147,047	151,715	162,670	172,722	196,643	75,990	83,519
Operating and other expenses:							
Publication expenses:							
Content development	49,990	51,199	50,229	53,791	59,342	23,816	24,742
Production and distribution	28,755	27,995	27,862	27,925	30,817	10,972	13,268
	78,745	79,194	78,091	81,716	90,159	34,788	38,011
Promotion and marketing	44,667	43,560	41,642	42,664	49,799	19,287	22,186
General and administrative	11,894	10,484	8,527	14,724	14,070	4,815	5,249
Consumer affairs and education	8,297	8,061	9,145	8,724	9,387	3,687	3,768
Fundraising	5,725	5,787	5,911	6,667	7,249	2,563	2,930
Regional offices	3,798	3,964	3,424	3,715	3,669	1,449	1,740
Governance	1,423	1,095	1,337	1,294	1,302	126	193
	154,549	152,145	148,077	159,504	175,635	66,715	74,076
Net operating income & increase in unrestricted net assets	(7,502)	(430)	14,593	13,218	21,008	9,275	9,443
Non-operating activities:							
Restructuring charges	0	(3,837)	0	0	0	0	0
Incremental pension benefit	0	(2,182)	2,182	0	0	0	0
Loss on curtailment of Spin-Off Plan	0	0	(1,003)	0	0	0	0
Gain on sale of <i>Travel Letter</i> publication	0	0	1,064	0	0	0	0
	0	(6,019)	2,243	0	0	0	0
Increase (Decrease) in unrestricted net assets	(7,502)	(6,449)	16,836	13,218	21,008	9,275	9,443
Change in temporarily restricted net assets:							
Grants received	11,800	1,775	600	2,155	6,014	4,862	713
Net assets released from restrictions	(2,535)	(3,660)	(4,680)	(3,911)	(3,994)	(1,530)	(1,651)
Increase (decrease) in temporarily restricted net assets	9,265	(1,885)	(4,080)	(1,756)	2,020	3,332	(938)
Increase (decrease) in net assets	1,763	(8,334)	12,756	11,462	23,028	12,607	8,503
Net assets at beginning of year	36,265	38,028	29,694	42,450	53,912	53,912	76,940
Net assets at end of year	\$38,028	\$29,694	\$42,450	\$53,912	\$76,940	\$66,519	\$85,445

Management Discussion of Financial Performance

The Company ended Fiscal Year 2005 with its strongest financial performance, as measured by operating income, net income and reserves. The Company ended its third consecutive year in which net income has exceeded \$13 million and unrestricted reserves have grown from \$20.2 million to \$71.3 million (or more than 250%) at the end of May 2005 from May 2002.

Profitable revenue from all sources has contributed to strong overall performance. As of the year ended May 31, 2005, product revenue increased 13% from the prior year. Product lines with double digit revenue growth included ConsumerReports.org., CR Newsstand, Special Publications, and *Consumers Reports Money Adviser*. Fundraising contributions and donations and net investment returns generated \$18.1 million and \$6.5 million, respectively, in Fiscal Year 2005.

After a successful launch in 1997, total subscriptions to ConsumerReports.org exceeded 1.8 million at the end of the 2005 Fiscal Year with revenue of more than \$46 million, making it one of the most successful subscription sites on the Web. In addition, ConsumerReports.org margins are very favorable given the relatively low distribution costs. Total subscriptions to CU's products now exceed seven million.

The Company expects continued product growth revenue in Fiscal Year 2006. However, overall expenses, led by planned expenses in paper, postage, additional staff and technology, are expected to grow faster than product revenue in Fiscal Year 2006. Paper and postage are significant operating expenses that are expected to increase in future years.

CU's performance for the first five months of Fiscal Year 2006 has been strong. As of October 31, 2005, total paid subscribers were 7,158,000, an increase of 15.5% over the same period in the prior year. Total revenue was \$83.5 million, a 9.9% increase over the same period in the prior year. Unrestricted reserves exceeded \$80.7 million as of October 31, 2005, compared to \$59.5 million as of October 31, 2004. Total net income at October 31, 2005 was \$9.4 million, compared to \$9.2 million during comparable period in the prior fiscal year.

CU solicits donations from its subscribers. Its Fundraising department is building a major gift program that is intended to complement the existing direct mail campaign. The Company expects to generate additional income from the major gift program in future years.

As unrestricted reserves continue to increase, CU may spend reserves on non-revenue producing programs that will advance CU's mission and maximize its positive impact for consumers.

INVESTMENTS

The Company's investments held in the Corporate Investment Portfolio totaled approximately \$117 million as of May 31, 2005. An Investment Policy Statement ("IPS") has been adopted by the Company's Board. The purpose of the IPS is to (i) articulate the view of the Board regarding the investment objectives, risk tolerance, long-range goals, and short-term needs of CU's corporate investment portfolio (the "Portfolio"); and (ii) establish and document roles

and responsibilities of various parties regarding the Portfolio. The Portfolio currently consists of commingled funds (i.e., mutual funds), fixed income securities, and cash equivalents, but does not include charitable gift annuities, direct investments in real estate and CU's pension plans.

Given CU's current and projected future cash flows, the Portfolio has minimal need for current income and is unlikely to need to liquidate investments to meet ongoing obligations. Therefore, the Board generally takes a long-term perspective in setting investment objectives. The current target asset allocation is approximately 50% equities and 50% fixed income securities, which target may be revised from time-to-time by the Board.

With respect to the Portfolio, the Board has the responsibility to (i) approve the investment policy that will guide the investment program; (ii) with advice from Senior Management, approve the asset allocation and selection of investment managers; (iii) establish procedures for rebalancing the asset allocation; (iv) establish other procedures (including benchmarks and reporting standards) for Senior Management; and (v) evaluate the performance of Senior Management. The Board delegates to Senior Management, subject to such procedures and benchmarks, responsibility for implementing the Board's policies. In carrying out these responsibilities, the Board may utilize the advice and assistance of the investment consultant(s) and the Board's Investment and Pension Committee.

An independent investment consultant has been retained to assist the Company in formulating policies and procedures and to assist Senior Management in performing its responsibilities. While the investment consultant reports to the Board, the practical, regular working relationship is with Senior Management. The investment consultant provides investment reports to the Board and Senior Management on a quarterly basis. The Board's Investment and Pension Committee has been delegated oversight responsibility by the Board and meets at least three times annually.

CONSUMER MAGAZINE MARKET

General

Over the last decade, the magazine marketplace has experienced a decline in paid circulation and overall consumer advertising revenues. In response, many magazines ceased publishing and existing titles broadened their coverage to attract a greater diversity of advertisers. As a result, more consumer product reviews now appear in more places, including expanded appliance and home content in *The Wall Street Journal's* Personal Journal, consumer electronics in *The New York Times*, autos in *Money* and *Kiplinger's Personal Finance* and health coverage in *SmartMoney*.

CU responded to these challenges from a position of strength. Largely unaffected by advertising revenues, CU has been able to focus on differentiating its content from the ad-sponsored product reviews of its competitors. Effective multi-channel marketing, redesigns in print and online, customer research, and expanded content have all worked toward providing a steady increase in revenues and subscribers.

Benchmarks

The top 20 consumer magazines (as opposed to industry and business-to-business) generated more than \$4 billion in circulation revenue in 2004, accounting for 39% of all magazines tracked by the Audit Bureau of Circulations (“ABC”). As an ad-free magazine published by a nonprofit organization, *Consumer Reports* is not audited by ABC. In 2004, *Consumer Reports* magazine generated approximately \$90 million in revenue, a result that management estimates would have placed CU 12th among all ABC audited magazines in terms of revenue, and seventh in total number of subscribers if it were in fact tracked by ABC.

Newsstand

Among the more than 500 ABC audited titles sold at the newsstand, *Consumer Reports* has consistently ranked among the 150 top sellers. Positioned against the general news titles, *Consumer Reports* ranks third. *Consumer Reports* magazine generated approximately \$4.5 million in newsstand sales in Fiscal Year 2005 and sold 1,314,086 units. Average monthly newsstand sales increased 33% since 2003 from 83,000 to 110,000 per issue. Total newsstand and trade sales, including special interest publications and the annual *Consumer Reports Buying Guide* contributed approximately \$9.4 million to fiscal year 2005 revenues.

Online Paid Content Market Overview

Online paid content generated \$2 billion in revenue in fiscal year 2004. ConsumerReports.org is the largest publication-based subscription Web site with two million subscribers as of August 2005. Its closest competitor against which its growth is benchmarked is WSJ.com, *The Wall Street Journal's* Web site, with 770,000 subscribers as of June 30, 2005. In comparison, due to WSJ.com's higher subscription price, it continues to exceed ConsumerReports.org's online revenue web subscriptions. The table below compares web subscriptions and revenues for ConsumerReports.org and *The Wall Street Journal* web site.

	<u>2002</u>		<u>2003</u>		<u>2004</u>	
	Revenue	Subscribers	Revenue	Subscribers	Revenue	Subscribers
CRO.org	\$30,643,000	1,172,000	\$37,580,000	1,474,000	\$46,842,000	1,887,000
WSJ.com	\$50,230,000	679,000	\$68,716,000	689,000	\$79,700,000	712,000

Source: For CRO.org, Company records, for WSJ.com, Audit Bureau of Circulation reports.

Offering a combination of free and paid content, ConsumerReports.org attracts a total monthly audience of 1.5 million and ranks 44th among all news and information Web sites based on Nielsen/Net Ratings data. It is the only property that is not ad-supported. *ConsumerReports.org* ranks seventh among research sites, garnering more traffic than sites such as Newsbank, Britannica and Reference.com.

Franchise Competition

A function of its broad coverage and multi-channel presence, CU products have few direct competitors but multiple substitute competitors. Print competition is largely from the expanded consumer product review coverage of other general interest magazines. Online competition is strongest, driven by marketing (search engine optimization) and the pace of change as all sites try new levels of interactivity and customization to further engage consumers.

Consumer Reports magazine and ConsumerReports.org dominate the category that its content defines, general interest test-based evaluative consumer product information. Two direct competitors, *Consumer Guide* and *Consumers Digest* were launched in 1969 and 1957, respectively. Their business models differ from *Consumer Reports* in their reliance on editorial reviews rather than testing and on advertising. Additionally, CU has been effective in minimizing the impact of any consumer confusion with these similarly named periodicals; for example, with the launch of the *Consumer Reports* car pricing guides, the sales of *Consumer Guide* autos books were reduced in half.

With respect to content, CU competes with different entities in each content franchise. CU considers these content franchises to be (i) automotive, (ii) electronic, (iii) finance, (iv) health and (v) home. Depending on the content category CU products compete either for newsstand revenue, on-line subscriptions or both.

EMPLOYEES

As of June 1, 2005, the Company employed 495 individuals of whom 95.7% were full-time employees. Of these employees, 274 are represented by Local 3 of the Newspaper Guild of New York. The agreement between the Company and the Guild expires on December 31, 2005; however, management of the Company expects that the terms of the existing agreement will remain in effect with no labor interruption until a new agreement is in place. Contract negotiations have been underway since July 2005. The Company considers its current labor relations to be good.

PENSION PLANS AND PARTICATION

The Company maintains two defined benefit plans for its employees. The defined benefit plan covering management and exempt employees includes employees hired prior to March 1, 2001 electing to continue participation in the plan. All other management and exempt employees receive an employer non-matching contribution of 8% to a qualified defined contribution plan. Employees represented by the Newspaper Guild of New York are covered under a separate defined benefit plan. Under the defined benefit a plan, a participant receives a benefit payable at age 65 based upon a formula. Retirement benefits can be obtained at age 55, which are actuarially reduced for early retirement. Employees are vested after the completion of five years of service. All contributions currently due under the plan's documents have been made.

The Company also offers all employees the ability to participate in a defined contribution plan. Employees can make pre-tax contributions subject to Internal Revenue Service limits. After the attainment of six months of service, the Company matches one third of

the employees' contribution, subject to a maximum employer matching contribution of 2%. Employees are fully vested after the completion of five years of service. The plans are held in trust and not available to the Company's creditors. The Company also maintains a 457(b) plan for eligible senior management employees.

INSURANCE

The Company's insurance program includes a commercial Casualty and Property policy covering the Company's buildings and its contents in the approximate amount of \$66 million, and providing for business interruption coverage in the amount of approximately \$34 million.

Directors and Officers, Crime, and Media Liability coverage are also maintained. The Directors and Officers Policy includes coverage for Employment Practices Liability and Fiduciary Liability coverage.

LITIGATION

CU is not currently involved in any material litigation. In the past, CU has been involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters has not had a material adverse effect on CU's financial position.

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APPENDIX B

FINANCIAL STATEMENTS OF CONSUMERS UNION OF UNITED STATES, INC.

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CONSUMERS UNION OF UNITED STATES, INC.

Financial Statements

May 31, 2005 and 2004

(With Independent Auditors' Report Thereon)

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Consumers Union of United States, Inc.:

We have audited the accompanying balance sheets of Consumers Union of United States, Inc. as of May 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Consumers Union of United States, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Consumers Union of United States, Inc.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consumers Union of United States, Inc. as of May 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 22, 2005

CONSUMERS UNION OF UNITED STATES, INC.

Balance Sheets

May 31, 2005 and 2004

Assets	2005	2004
Current assets:		
Cash and cash equivalents	\$ 10,923,000	15,951,000
Investments (note 5)	116,987,000	91,833,000
Subscriptions receivable, net	9,428,000	7,117,000
Inventories (note 3)	3,765,000	2,693,000
Auto test inventory	1,716,000	1,203,000
Grants and other receivables	5,570,000	3,224,000
Deferred promotion cost	23,508,000	21,404,000
Prepaid expenses and other current assets	3,999,000	2,865,000
Total current assets	175,896,000	146,290,000
Property and equipment, net (note 4)	52,302,000	52,285,000
Deferred promotion cost – long-term	6,533,000	6,536,000
Grants receivable – long-term	139,000	—
Other assets (note 6)	23,288,000	17,967,000
Total assets	\$ 258,158,000	223,078,000
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt (note 9)	\$ 1,250,000	1,035,000
Accounts payable and accrued liabilities	13,075,000	13,777,000
Accrued compensation	7,917,000	7,255,000
Unearned subscription revenue	93,771,000	82,312,000
Total current liabilities	116,013,000	104,379,000
Charitable gift annuity obligations (note 11)	2,972,000	2,233,000
Unearned subscription revenue	27,483,000	26,554,000
Long-term debt (note 9)	34,750,000	36,000,000
Total liabilities	181,218,000	169,166,000
Commitments and contingencies (note 7)		
Net assets:		
Unrestricted	71,277,000	50,269,000
Temporarily restricted (note 2)	5,663,000	3,643,000
Total net assets	76,940,000	53,912,000
Total liabilities and net assets	\$ 258,158,000	223,078,000

See accompanying notes to financial statements.

CONSUMERS UNION OF UNITED STATES, INC.

Statements of Activities

Years ended May 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Change in unrestricted net assets:		
Revenue and support:		
Subscriptions, newsstand, on-line, and other sales	\$ 168,003,000	148,821,000
Contributions	18,102,000	15,091,000
Investment income, net (note 5)	6,480,000	4,842,000
Net assets released from restrictions	3,994,000	3,911,000
Other	64,000	57,000
	<u>196,643,000</u>	<u>172,722,000</u>
Operating and other expenses:		
Publication expenses:		
Content development	59,342,000	53,791,000
Production and distribution	30,817,000	27,925,000
	90,159,000	81,716,000
Promotion and marketing	49,799,000	42,664,000
General and administrative	14,070,000	14,724,000
Consumer affairs and education	9,387,000	8,724,000
Fund-raising	7,249,000	6,667,000
Regional offices	3,669,000	3,715,000
Governance	1,302,000	1,294,000
	<u>175,635,000</u>	<u>159,504,000</u>
Increase in unrestricted net assets	<u>21,008,000</u>	<u>13,218,000</u>
Change in temporarily restricted net assets:		
Grants received	6,014,000	2,155,000
Net assets released from restrictions	(3,994,000)	(3,911,000)
Increase (decrease) in temporarily restricted net assets	<u>2,020,000</u>	<u>(1,756,000)</u>
Increase in net assets	23,028,000	11,462,000
Net assets at beginning of year	<u>53,912,000</u>	<u>42,450,000</u>
Net assets at end of year	<u>\$ 76,940,000</u>	<u>53,912,000</u>

See accompanying notes to financial statements.

CONSUMERS UNION OF UNITED STATES, INC.

Statements of Cash Flows

Years ended May 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Increase in net assets	\$ 23,028,000	11,462,000
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,887,000	4,432,000
Net unrealized gain on investments	(3,022,000)	(4,316,000)
Net realized (gain) loss on investments	(771,000)	2,122,000
Actuarial change in charitable gift annuity obligations	325,000	234,000
Other changes in assets and liabilities:		
Subscriptions receivable, net	(2,311,000)	(3,902,000)
Inventories and auto test inventory	(1,585,000)	368,000
Grants and other receivables	(2,485,000)	1,243,000
Deferred promotion	(2,101,000)	(2,696,000)
Prepaid expenses and other current assets	(1,134,000)	(595,000)
Other noncurrent assets	(5,321,000)	2,157,000
Accounts payable and accrued liabilities	(702,000)	1,916,000
Charitable gift annuity obligations	739,000	578,000
Accrued compensation	662,000	448,000
Unearned subscription revenue	12,388,000	11,876,000
Net cash provided by operating activities	<u>21,597,000</u>	<u>25,327,000</u>
Cash flows from capital investments and other investing activities:		
Purchases of property and equipment, including capitalized software	(3,904,000)	(2,153,000)
Purchases of investments	(431,983,000)	(274,584,000)
Proceeds from sales of investments	410,605,000	266,143,000
Net cash used in capital investments and other investing activities	<u>(25,282,000)</u>	<u>(10,594,000)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(1,035,000)	(1,015,000)
Payments of charitable gift annuity obligations	(308,000)	(235,000)
Net cash used in financing activities	<u>(1,343,000)</u>	<u>(1,250,000)</u>
Net (decrease) increase in cash and cash equivalents	(5,028,000)	13,483,000
Cash and cash equivalents at beginning of year	15,951,000	2,468,000
Cash and cash equivalents at end of year	<u>\$ 10,923,000</u>	<u>15,951,000</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 571,000	369,000

See accompanying notes to financial statements.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

(1) Organization and Summary of Significant Accounting Policies

Organization

Consumers Union of United States, Inc. (CU or the Organization) is the publisher of Consumer Reports and other periodicals, as well as a provider of online publications and consumer services. CU, a not-for-profit organization, is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The following is a summary of CU's significant accounting policies:

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of grant-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to grant-imposed stipulations.

Temporarily restricted net assets – Net assets subject to grant-imposed stipulations that will be met either by actions of CU or the passage of time.

Revenue Recognition

Proceeds from subscriptions are recorded as unearned subscription revenue when received and recognized as revenue over the applicable terms of the subscription services, generally one to two years for print and one to twelve months for online products. Subscriptions services to be provided within one year are included as unearned subscription revenue – current and the portion of the subscriptions in excess of one year are classified as unearned subscription revenue – noncurrent. Sales to newsstand distributors are recognized as revenue in the month of distribution, using historical experience to estimate the ultimate sales of magazines to the newsstand. In the event that actual sales differ from estimates, adjustments are made in subsequent months. Historically, these adjustments have not been material.

Subscriptions receivable are based on invoiced amounts, net of an estimated allowance for cancellations and nonpayment. Such allowance was approximately \$4,924,000 and \$4,382,000 at May 31, 2005 and 2004, respectively.

Deferred Promotion Costs

CU defers certain promotion costs, which are primarily printing, list rental, and mailing costs, on most direct mail promotions for its applicable publications in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 93-7, *Reporting on Advertising Costs*. These costs are amortized over the periods of the subscriptions generated from these promotions not to exceed two years. At May 31, 2005 and 2004, approximately \$30,041,000 and \$27,940,000, respectively, of promotion costs were deferred as assets. All other advertising and promotion expenses except these direct mail promotions are expensed at the time the advertising takes place. Amortization of deferred promotion costs, included in promotion and marketing expenses in the statements of activities, was \$30,835,000 and \$26,721,000 in 2005 and 2004, respectively. During the years ended May 31, 2005 and

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

2004, CU recorded a write-down of deferred promotion asset to net realizable value in the amounts of \$51,000 and \$8,000, respectively.

Recently Adopted Accounting Standards

In December 2003, Financial Accounting Standards Board (FASB) Statement No. 132 (revised), *Employers' Disclosures about Pensions and Other Postretirement Benefits*, was issued. Statement 132 (revised) prescribes employers' disclosures about pension plans and other postretirement benefit plans; it does not change the measurement or recognition of those plans. The Statement retains and revises the disclosure requirements contained in the original Statement 132. It also requires additional disclosures about the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans, and other postretirement benefit plans. The new annual disclosure requirements became effective for CU in 2005. CU's disclosures in note 6 incorporate the requirements of Statement 132 (revised).

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts in interest-bearing checking accounts and highly liquid money market accounts, excluding those amounts held by the investment manager for long-term investment purposes.

Investments

Investments at May 31, 2005 and 2004 consist of U.S. Treasury, mortgage-backed securities, commingled trust funds, and socially responsible mutual funds. The value of these securities is recorded at fair value based on quoted market prices. Gains and losses, including unrealized amounts, are included in the accompanying statements of activities.

Inventories

Inventories, consisting primarily of paper for magazine production, are stated at the lower of cost or market. Cost is determined using the first-in, first-out method for paper and publications.

Auto Test Inventory

Auto test inventory represents items, primarily automobiles used in CU's testing processes, reported at the lower of cost less depreciation or their estimated recoverable value. Other costs related to test projects are charged to expense when incurred.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets, which range from 3 to 30 years.

Contributions

Contributions are recognized as revenue in the period received.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

Charitable Gift Annuities

The Organization maintains a Charitable Gift Annuity (CGA) program. Under this program, donors contribute cash to CU in exchange for a promise by the Organization to pay a fixed amount for the life of the donor. CU recognizes the agreement with the donor in the period in which the contract is executed. Cash received is subsequently invested in fixed income and equity mutual funds and recorded at fair value based on quoted market prices. Gains and losses, including unrealized amounts, under this program are reported within investment income, net in the accompanying statements of activities. The annuity payment liability is recognized at the actuarially determined present value of future cash flows expected to be paid to the donor or third-party beneficiary. Contribution revenue, which is the difference between these two amounts, is reported within contributions in CU's statements of activities. Amounts recognized related to CGAs are further discussed in note 11.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant estimates that affect the financial statements include, but are not limited to, collectibility of subscriptions receivable and grants, benefit accruals, estimates of returns, amortization periods, recovery of inventory, deferred promotion costs, and other long-lived assets. Actual results could vary from the estimates and assumptions used in the preparation of the accompanying financial statements.

(2) Temporarily Restricted Net Assets

Temporarily restricted net assets at May 31, 2005 and 2004 are available for the following purposes:

	2005	2004
Best Buy Drugs (a)	\$ 2,283,000	—
Web Watch (b)	1,143,000	1,110,000
Hear Us Now (c)	590,000	—
On-line Guide to Shopping for Prescription drugs (d)	375,000	—
Healthy Kids Program (e)	232,000	233,000
Green Consumer (f)	182,000	—
Food Safety (g)	150,000	—
Financial Services (h)	145,000	—
West Coast health care conversion (i)	116,000	706,000
California financial services (j)	77,000	135,000
Nursing Home Watch List (k)	39,000	112,000
California Medicare HMO's (l)	—	107,000
Strategic Resource Center (m)	—	400,000
Other grants outstanding less than \$100,000 individually	331,000	840,000
	<u>\$ 5,663,000</u>	<u>3,643,000</u>

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

- (a) Represents a grant received by CU to provide readily accessible, unbiased, evidence-based information about drug value.
- (b) Represents grants received by CU in connection with work on the development and promotion of core standards to help ensure the credibility of information on the Internet.
- (c) Represents a grant received by CU that enabled CU to launch the HearUsNow.org Web site with practical information, consumer tips, historical background material, and strategic policy advice on six areas important to information democracy: media ownership policy, traditional telephone services, wireless, Internet/Broadband, radio-TV-cable, and digital content.
- (d) Represents a grant received by CU to create online shopper guide for prescription drugs.
- (e) Represents grants received by CU in connection with work involving capacity in California's public school system for outreach and enrollment for subsidized health insurance for children.
- (f) Represents a grant received by CU to provide support for a broad online sustainable consumption service entitled "Greener Choices," which will inform and empower the large segment of consumers interested in green purchasing.
- (g) Represents a grant received by CU to further the organization's consumer research, advocacy, and education projects related to food labeling and food safety.
- (h) Represents a grant received by CU to help further CU's work on financial services. These funds will be used to work on Federal financial services legislation that affects low income consumers.
- (i) Represents grants received by CU in connection with the performance of a study on the effects of the change in certain health care entities from not-for-profit to for-profit status.
- (j) Represents grants received by CU in connection with State of California class action settlements whereby monies that cannot be refunded to class members have been designated to be used in California for a purpose that is reasonably designed to benefit those persons who would otherwise have received the refund.
- (k) Represents grants received by CU to develop a Nursing Home Watch List to help consumers avoid using the worst performing nursing homes.
- (l) Represents a grant received by CU to produce a Guide to California Medicare HMOs. The guide will evaluate every Medicare HMO in California and present data in a county-by-county format to make it easy for beneficiaries to understand their options.
- (m) Represents grants received by CU in connection for support to establish a national Strategic Resource Center for the emerging field of electronic media policy advocacy in the United States.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

(3) Inventories

Inventories at May 31, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Paper	\$ 3,167,000	2,247,000
Published books	175,000	201,000
Books in process	423,000	245,000
	<u>\$ 3,765,000</u>	<u>2,693,000</u>

(4) Property and Equipment

Property and equipment at May 31, 2005 and 2004 consist of the following:

	<u>Estimated useful lives</u>	<u>2005</u>	<u>2004</u>
Land	—	\$ 11,935,000	11,935,000
Buildings and building improvements	30 years	54,548,000	53,686,000
Furniture, fixtures, and equipment	5 years	24,164,000	23,196,000
Software development	3 years	5,253,000	4,643,000
Web development	3 years	4,538,000	3,373,000
		<u>100,438,000</u>	<u>96,833,000</u>
Less accumulated depreciation and amortization		<u>48,136,000</u>	<u>44,548,000</u>
		<u>\$ 52,302,000</u>	<u>52,285,000</u>

Depreciation and amortization expense for the years ended May 31, 2005 and 2004 was \$3,887,000 and \$4,382,000, respectively. Accumulated amortization of software and Web development costs was \$7,439,000 and \$6,452,000 as of May 31, 2005 and 2004, respectively.

(5) Investments

CU's investment policies are limited to those investments issued, collateralized, insured, or guaranteed by the U.S. Government, U.S. agencies, or U.S. instrumentalities and other respective branches as well as commingled trust funds and mutual funds.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

Investments as of May 31, 2005 and 2004 consist of the following:

	<u>2005</u>	<u>2004</u>
Mortgage backed securities	\$ 43,856,000	31,976,000
Equity securities – commingled trust funds and mutual funds	55,044,000	32,148,000
U.S. Treasury securities	13,587,000	12,156,000
Other (primarily short-term investments and money market funds)	4,500,000	15,553,000
Fair value	<u>\$ 116,987,000</u>	<u>91,833,000</u>
Cost	\$ 113,292,000	91,160,000

Net unrealized gain amounted to \$3,022,000 and \$4,316,000 for the years ended May 31, 2005 and 2004, respectively, and is included in investment income.

Net realized gain (loss) was approximately \$771,000 and \$(2,122,000) in 2005 and 2004, respectively. Interest and dividend income amounted to \$2,687,000 and \$2,648,000 in 2005 and 2004, respectively.

Investment expenses were \$402,000 and \$339,000 for the years ended May 31, 2005 and 2004, respectively, and are included in general and administrative expenses.

(6) Employee Benefits

Defined Benefit Plan

CU maintains three defined benefit plans covering a majority of its employees during 2005 and 2004. Two of these plans are noncontributory defined benefit plans; one plan is administered by CU (the Management Plan) and the other plan is administered jointly by CU and the Newspaper Guild of New York (the Union Plan). The third plan is a noncontributory multiemployer pension plan providing supplemental pension benefits for all union employees (the Guild Plan). Contributions to the Guild Plan and the related expense recognized were \$78,000 and \$75,000 in 2005 and 2004, respectively.

The measurement date used to determine pension benefit measures for the Management Plan and the Union Plan is May 31, 2005.

The Management Plan was divided into two separate, defined benefit retirement plans – one covering individuals who were either participants in the Management Plan on February 28, 2001 and elected not to have certain nonmatching employer contributions made to the Consumers Union Retirement and Savings Plan with respect to periods on or after March 1, 2001, and the other covering those individuals who were participants in the Management Plan on February 28, 2001 and elected to have certain nonmatching employer contributions made to the Consumers Union Retirement and Savings Plan on their behalf with respect to periods on or after March 1, 2001 (Electing Participants). The effective date of the division of the Management Plan was June 1, 2001. The Consumers Union of the United States, Inc. Pension Plan for Certain Management/Exempt Employees (the Spin-Off Plan) covering Electing Participants was established effective June 1, 2001.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

Obligations and Funded Status

At May 31:

	Pension benefits	
	2005	2004
Change in benefit obligation:		
Benefit obligation at the beginning of year	\$ 66,785,000	65,148,000
Service cost	3,323,000	3,553,000
Interest cost	4,054,000	3,981,000
Plan amendments and change in actual/projected compensation	(858,000)	3,683,000
Actuarial loss (gain)	1,423,000	(1,665,000)
Benefits and administrative expenses paid	(3,916,000)	(4,977,000)
Interest on actual distributions	(69,000)	(55,000)
Change in discount rate	9,762,000	(2,883,000)
Benefit obligation at the end of year	<u>\$ 80,504,000</u>	<u>66,785,000</u>
Change in plan assets:		
Fair value of plan assets at the beginning of year	\$ 57,962,000	56,697,000
Actual return on plan assets	3,286,000	3,242,000
Employer contributions	9,955,000	3,000,000
Benefits and administrative expenses paid	(3,916,000)	(4,977,000)
Fair value of assets at the end of year	<u>\$ 67,287,000</u>	<u>57,962,000</u>
Funded status	\$ (13,218,000)	(8,822,000)
Unrecognized net actuarial loss	33,911,000	23,757,000
Unrecognized prior service cost	1,650,000	1,986,000
Prepaid asset recognized in the balance sheets	<u>\$ 22,343,000</u>	<u>16,921,000</u>

Amounts recognized in the balance sheets consist solely of prepaid benefit cost of \$22,343,000 and \$16,921,000 at May 31, 2005 and 2004 respectively.

The accumulated benefit obligation for all defined benefit pension plans was \$66,464,430 and \$55,605,116 at May 31, 2005, and 2004, respectively.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

The actuarial present value of the benefit obligations and the funded status of the Management Plan and Union Plan on a combined basis as of May 31, 2005 and 2004, as provided by CU's actuaries, were as follows:

	<u>2005</u>	<u>2004</u>
Funded status:		
Accumulated benefit obligation	\$ 66,464,000	55,605,000
Projected benefit obligation	80,505,000	66,785,000
Fair value of plan assets available for benefits	<u>67,288,000</u>	<u>57,962,000</u>
Funded status	<u>\$ (13,217,000)</u>	<u>(8,823,000)</u>

The accumulated benefit obligation, fair value of plan assets, and prepaid asset for each of the plans as of May 31, 2005 and 2004 were as follows:

	<u>Management Plan</u>	
	<u>2005</u>	<u>2004</u>
Assets exceeded accumulated benefits:		
Accumulated benefit obligation	\$ 34,423,000	30,417,000
Fair value of plan assets available for benefits	34,845,000	31,635,000
Prepaid asset recognized in the balance sheets	13,205,000	11,171,000

	<u>Union Plan</u>	
	<u>2005</u>	<u>2004</u>
Assets exceeded accumulated benefits:		
Accumulated benefit obligation	\$ 32,041,000	25,188,000
Fair value of plan assets available for benefits	32,443,000	26,328,000
Prepaid asset recognized in the balance sheets	9,138,000	5,750,000
Combined prepaid asset recognized in the balance sheets and included in other assets	22,343,000	16,921,000

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

	Pension benefits	
	2005	2004
Components of net periodic benefit cost:		
Service cost	\$ 3,323,000	3,553,000
Interest cost	4,054,000	3,980,000
Expected return on plan assets	(4,447,000)	(4,469,000)
Amortization of prior service cost	338,000	716,000
Amortization of unrecognized transition obligation	—	43,000
Amortization of net loss	1,266,000	1,433,000
Net periodic benefit cost	\$ 4,534,000	5,256,000

Weighed average assumptions used to determine benefit obligations for the years 2005 and 2004 for all defined benefit plans were as follows:

	2005	2004
Weighted average assumptions:		
Discount rate used to determine the benefit obligation (pre-retirement)/(post-retirement)	5.50% / 5.00%	6.25% / 5.75%
Discount rate used to determine the net benefit cost (pre-retirement)/(post-retirement)	6.25% / 5.75%	6.00% / 5.50%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	4.00%	4.00%
Combined benefit information:		
Included in net operating income:		
Net periodic pension expense	\$ 4,533,000	5,257,000
Employer contributions	9,955,000	3,000,000
Benefits paid	3,729,000	4,381,000

CU's overall expected long-term rate of return on assets is 8%. The expected rate of return is based on each of the portfolios (Management and Union Plans) as a whole and not on the sum of the returns on individual asset categories.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

Plan Assets

The weighted average asset allocation of CU's pension assets at May 31, 2005 and 2004 were as follows:

	Management Plan assets	
	2005	2004
Asset category:		
Equity securities*	65.1%	61.1%
Debt securities	34.9	35.4
Other (money market)	—	3.5
Total	100.0%	100.0%

* Includes assets invested in a balanced mutual fund that includes both equity and fixed income securities.

	Union Plan assets	
	2005	2004
Asset category:		
Equity securities	43.4%	53.7%
Debt securities	37.1	43.1
Other (money market)	19.5	3.2
Total	100.0%	100.0%

CU's investment goal is to prudently maximize the return on investment while maintaining the preservation of capital, consistent with ERISA requirements and the terms of the Trust Agreement and the Plan. The investment policy permits investments in mutual funds, and prohibits direct investment in individual equity securities and fixed income obligations of individual companies. Pension assets are diversified by the use of mutual funds and commingled trust funds whose underlying investments are in domestic fixed income securities and domestic equity securities. These funds are readily marketable and can be sold to fund benefit payment obligations as they become payable.

The target allocation for assets of the Management Plan is 50% fixed income securities and 50% equity securities, within a range of 5% of the target percentage. The Plan's assets include the TIAA-CREF Social Choice Fund, which is a balanced fund that is characterized in the equity securities category. The asset allocation of this plan as of May 31, 2005 adheres to the target allocation if the fund is allocated appropriately to both the equity and fixed income category.

The target allocation for assets of the Union Plan is 50% fixed income securities and 50% equity securities, within a range of 5% of the target percentage. The asset allocation as of May 31, 2005 does not adhere to the target asset allocation as a result of a pension contribution in the amount of \$5,850,000 that was made to the plan on May 26, 2005 and temporarily invested into a Federal money market fund.

Cash Flows

CU expects to contribute \$0 to the Management Plan and \$0 to the Union Plan in 2006.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

The benefits expected to be paid out from the pension plans are as follows:

Year:	Management Plan	Union Plan
2006	\$ 1,957,000	1,338,000
2007	3,167,000	1,223,000
2008	3,034,000	2,109,000
2009	2,963,000	2,790,000
2010	2,275,000	2,246,000
2011-2015	16,957,000	12,282,000

The expected benefits are based on the same assumptions used to measure CU's benefits obligation at May 31, 2005 and include estimated future employee service.

Other Benefit Plans

CU administers 401(k) plans for guild-represented and management/exempt employees that allow participants to make pre-tax contributions to their accounts, which are invested in investments from several alternatives selected by the Trustees of the plans. For both plans, CU matches employee contributions up to 2% of the employee's salary, subject to certain maximum limitations. Employees vest immediately to the employer matching contribution. In addition, for management and exempt employees not participating in the defined benefit Management Plan, CU contributes 8% of an employee's salary, subject to certain maximum limitations. These contributions to an employee's account vest 20% per annum over a five-year period. CU's combined contributions to the 401(k) plans were \$1,428,000 and \$1,194,000 in 2005 and 2004, respectively.

Additionally, CU's board of directors adopted a Supplemental Executive Retirement Plan (SERP) under Section 457(f) for certain executive employees effective October 1994. The Internal Revenue Service approved the qualification of the plan through October 31, 1996. This benefit plan suspended accruals effective December 31, 2002; an alternative SERP plan was established for certain executive employees effective January 1, 2003 that would qualify under Section 457(b) of the Internal Revenue Code. Employer contributions relating to this plan were \$56,000 and \$51,000 in 2005 and 2004, respectively.

(7) Commitments

CU leases office facilities and certain equipment for which rental expense was \$430,000 and \$423,000 in fiscal 2005 and 2004, respectively. The leases obligate CU to reimburse the owners of the office facilities for increases in real estate taxes. The leases have remaining terms of up to six years.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

Minimum rental commitments under these leases are as follows:

	<u>Amount</u>
Year:	
2006	\$ 451,000
2007	346,000
2008	295,000
2009	192,000
2010	192,000
2011 and thereafter	224,000
	<u>\$ 1,700,000</u>

(8) Bank Borrowings

CU has an unused line of credit totaling \$10,000,000 at May 31, 2005. Terms of this line allow CU to draw down on the line with interest at the higher of the Federal Funds rate plus 1/2% or the prime rate less 1%. At May 31, 2005, CU has no amount outstanding under the line of credit agreement.

(9) Long-Term Debt

In 1989, CU and the City of Yonkers Industrial Development Agency (IDA) issued \$20,000,000 Series 1989 Civic Facility Revenue Bonds due July 1, 2019 (1989 Revenue Bonds). The proceeds of the 1989 Revenue Bonds were used by CU to help finance the acquisition and renovation of its National Testing Center and headquarters.

In 1991, CU and the City of Yonkers IDA issued \$10,000,000 Series 1991 Civic Facility Revenue Bonds due July 1, 2021 (1991 Revenue Bonds). The proceeds of the bonds were used by CU to acquire a parcel of land adjacent to CU's headquarters as well as to purchase equipment.

In 1994, CU and the City of Yonkers IDA issued \$15,000,000 Series 1994 Civic Facility Revenue Bonds due July 1, 2024 (1994 Revenue Bonds). The proceeds of the bonds were used by CU to finance the construction and furnishing of an addition to CU's National Testing Center and headquarters.

The 1989, 1991, and 1994 Revenue Bonds (the Revenue Bonds) are collateralized by the underlying assets and bear interest at a variable rate, adjusted weekly. According to the terms of the Revenue Bonds agreements, CU leases the facility from the City of Yonkers IDA for the duration of the bond terms, at which point title would pass to CU upon redemption of the Revenue Bonds. At May 31, 2005 and 2004, the interest rate on the Revenue Bonds was 1.7% and 1.1%, respectively.

The holders of the Revenue Bonds have the right to tender their bonds for repayment. These bonds are continuously remarketed and the rate is reset weekly. CU has the option to convert the Revenue Bonds to a fixed interest rate at any time during their term. If CU exercises this option, holders may either convert (in which case they lose their right to optional tender) or tender at that date.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

In accordance with the 1989 and 1991 Revenue Bonds agreements, CU has obtained from a bank a letter of credit that is available to support CU's obligations under the bond agreements. Any amounts drawn down under the letter of credit are due in accordance with the bank's reimbursement schedule.

In accordance with the 1994 Revenue Bonds agreement, CU has purchased a municipal bond insurance policy which guarantees the payment of the principal and interest on the 1994 Revenue Bonds. In addition, CU has arranged for a liquidity facility to fund any short-term payments on these Revenue Bonds, if necessary.

The Revenue Bonds are subject to mandatory sinking fund requirements at each July 1. CU makes monthly payments to the City of Yonkers IDA in amounts determined to cover interest on the Revenue Bonds plus funding of the annual sinking fund requirements.

Total long-term annual sinking fund requirements for the Revenue Bonds are as follows:

	<u>Amount</u>
Year:	
2006	\$ 1,250,000
2007	1,275,000
2008	1,395,000
2009	1,420,000
2010	1,545,000
2011 to 2024	<u>29,115,000</u>
	<u>\$ 36,000,000</u>

The cost of issuing the Revenue Bonds totaled \$1,521,000, of which approximately \$937,000 was paid out of bond proceeds. Accumulated amortization on deferred issuance costs at May 31, 2005 and 2004 approximated \$662,000 and \$610,000, respectively. The issuance costs, net of accumulated amortization, are included in other assets in the accompanying balance sheets.

Interest cost on the Revenue Bonds for 2005 and 2004 was \$624,000 and \$355,000, respectively. The average interest rate was 1.7% and 1.1% for the fiscal years ended May 31, 2005 and 2004, respectively.

Pursuant to the bond indenture, bond insurance agreement, letter of credit, and related agreements, CU is required to maintain certain specified levels of working capital and fund balances (unrestricted net assets) and may not exceed specified ratios of debt to fund balance as well as other financial and operational requirements.

(10) Financial Instruments

The estimated fair value of CU's financial instruments at May 31, 2005 and 2004 approximates their carrying value.

Fair value of investments as disclosed in note 5 is determined based upon quoted market prices where applicable.

CONSUMERS UNION OF UNITED STATES, INC.

Notes to Financial Statements

May 31, 2005 and 2004

Fair value of long-term debt approximates carrying value based upon the variable nature of the rates of the bonds. There is no quoted market price applicable to these bonds.

(11) Charitable Gift Annuities

As discussed in note 1, the Organization maintains a CGA program. The Organization's investments pertaining to the CGA program were valued at \$4,673,000 and \$3,752,000 at May 31, 2005 and 2004, respectively. The Organization's liability associated with charitable gift annuities was \$2,972,000 and \$2,223,000 utilizing a discount rate of 5.2% at May 31, 2005 and 2004, respectively. During 2005 and 2004, CU recognized \$505,000 and \$578,000 in unrestricted contribution revenue attributable to new CGA's, which was offset by \$325,000 and \$234,000 associated with the changes in the present value of the related liability, respectively.

(12) Other Relationship

The Organization is a member of Consumers International (CI), a non-profit organization headquartered in the United Kingdom, which focuses on global consumer concerns. Acting as the member's representative, an officer of the Organization serves, without compensation, on the Board of Directors of CI. Membership expense was \$679,000 and \$632,000 for the years ended May 31, 2005 and 2004, respectively, and was included in consumer affairs and education on the statements of activities. Membership payments were \$629,000 and \$577,000 for the years ended May 31, 2005 and 2004, respectively.

APPENDIX C

DEFINITIONS OF CERTAIN TERMS

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APPENDIX C

DEFINITIONS OF CERTAIN TERMS

Act shall mean, collectively, the New York State Industrial Development Agency Act (constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York), as amended, and Chapter 83 of the 1982 Laws of New York, as amended.

Additional Bonds shall mean one or more Series of additional bonds issued, executed, authenticated and delivered under the Indenture.

Adjusted Annual Income shall mean as of any date of determination thereof, the Institution's excess of revenues over expenditures as shown on the Institution's most recent audited financial statements.

Affiliate shall mean a Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with, the Institution. The term "control" means (i) the possession, directly or indirectly, of the power to direct or cause the direction of management and policies of a Person, whether through the ownership of securities, by contract or otherwise, or (ii) the ownership, either directly or indirectly, of a majority of the voting stock or other equity or ownership interest of such Person.

Agency shall mean the City of Yonkers Industrial Development Agency, a corporate governmental agency constituting a body corporate and politic and a public benefit corporation of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other governmental agency or instrumentality which shall hereafter succeed to the powers, duties, obligations and functions thereof.

Agent Member shall mean a member of, or participant in, the Securities Depository who shall act on behalf of a bidder.

All Hold Rate shall mean, as of any Auction Date, a per annum rate equal to 55% of the Auction Rate Index in effect on such Auction Date.

Alternate Credit Enhancement or Alternate Liquidity Facility shall mean a letter of credit, insurance policy, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, issued in accordance with the terms of the Indenture as a replacement or substitute for any Credit Enhancement or Liquidity Facility, as applicable, then in effect.

Alternate Rate shall mean, on any Rate Determination Date, (i) with respect to Bonds in a Daily Mode, a Weekly Mode, or an R-FLOATs Mode for an Interest Period of 35 days or less, an annual rate equal to the BMA Municipal Swap Index prior to the date such Alternate Rate is determined; and (ii) with respect to Bonds in an R-FLOATs Mode for an Interest Period of greater than 35 days or in a Term Rate Mode, an annual rate equal to 75% of the highest quoted yield on United States Government Obligations – State and Local Government Series, with a

maturity equal to the length of the Interest Period for which the Alternate Rate is calculated, which yield was published in Form PD4262, Department of Treasury, Bureau of Public Debt, as most recently published prior to the date such Alternate Rate is determined.

Auction shall mean each periodic implementation of the Auction Procedures.

Auction Agent shall mean the auction agent appointed in accordance with the Indenture.

Auction Agreement shall mean an agreement between the Auction Agent and the Institution pursuant to which the Auction Agent agrees to follow the procedures specified in the Indenture, as such agreement may from time to time be amended or supplemented.

Auction Date shall mean the Business Day immediately preceding the first day of each Auction Period (or such other day that the Auction Agent shall establish as the Auction Date therefor pursuant to the Indenture); provided, however, that the last Auction Date in an Auction Period shall be the earlier of (i) the Business Day next preceding the last Interest Payment Date before a Mode Change Date and (ii) the Business Day next preceding the last Interest Payment Date before the Maturity Date of such Bonds.

Auction Period shall mean for any Bonds while they are Auction Rate Bonds: (i) the period from and including an Auction Rate Mode Change Date, to and including the first Auction Date following such Auction Rate Mode Change Date, as applicable; and (ii) thereafter until a Mode Change Date or until the Maturity Date of the Bonds, each period of 7 days (unless changed as described in the Indenture) from and including the last Interest Payment Date for the immediately preceding Auction Period, to and including the next succeeding Auction Date or, in the event of an Auction Period with an Interest Payment Date on a Monday, the Sunday following the next succeeding Auction Date, or in the event of a change to a different Mode, to but excluding the Mode Change Date; provided, if any day that would be the last day of any such period does not immediately precede a Business Day, such period shall end on the next day which immediately precedes a Business Day.

Auction Procedures shall mean the procedures for conducting Auctions for the Auction Rate Bonds during an Auction Period set forth in the Indenture.

Auction Rate shall mean the rate of interest to be borne by the Auction Rate Bonds during each Auction Period, not greater than the Maximum Rate, determined in accordance with the Indenture. "Auction Rate" means (i) if Sufficient Clearing Bids exist, the Winning Bid Rate; provided, however, that if all of the Auction Rate Bonds are the subject of Submitted Hold Orders, the Auction Rate will be the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Auction Rate will be the Maximum Rate.

Auction Rate Bonds shall mean the Bonds of any Series during any Auction Period.

Auction Rate Index shall have the meaning specified in the Indenture.

Auction Rate Mode shall mean the Mode during which the Bonds bear interest at an Auction Rate.

Auction Rate Mode Change Date shall mean the date on which the Bonds convert from a Mode other than an Auction Rate Mode and begin to bear interest at an Auction Rate.

Authorized Denomination shall mean (i) with respect to Bonds in a Daily Mode or Weekly Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, (ii) with respect to Bonds in the Auction Rate Mode or an R-FLOATs Mode, \$25,000 and any integral multiple in excess thereof, (iii) with respect to Bonds in a Flexible Mode, \$100,000 and any integral multiple of \$1,000 in excess thereof and (iv) with respect to Bonds in a Long-Term Mode, \$5,000 and any integral multiple thereof.

Authorized Representative shall mean, (i) in the case of the Agency, the Chairman, Vice Chairman, Secretary or Executive Director, or any officer or employee of the Agency authorized to perform specific acts or to discharge specific duties, and (ii) in the case of the Institution, its President, Executive Vice-President, Vice-President and Chief Financial Officer or any officer or employee authorized to do specific acts or to discharge certain specific duties under the Indenture and of whom another Authorized Representative of the Institution gives written notice to the Trustee and the Agency.

Automatic Termination Event shall mean an event of default set forth in the Reimbursement Agreement, if any, which would result in the immediate termination of a Liquidity Facility prior to its stated expiration date without at least thirty days prior notice from the Liquidity Provider to the Tender Agent, other than a termination upon the substitution of an Alternate Liquidity Facility.

Available Bonds shall mean the aggregate principal amount of the Auction Rate Bonds that are not the subject of Submitted Hold Orders.

Available Amount shall mean the amount available under the Credit Enhancement or Liquidity Facility, as applicable, to pay the principal of and interest on the Bonds or the Purchase Price of the Bonds, as applicable.

Available Moneys shall mean (i) moneys held by the Trustee (other than in the Purchase Fund) and continuously subject to a first priority lien under the Indenture for a period of at least 123 days and not commingled with any moneys so held for less than said period and during which period no petition in bankruptcy was filed by or against, and no receivership, insolvency, assignment for the benefit of creditors or other similar proceeding has been commenced by or against, the Institution, unless such petition or proceeding was dismissed and all applicable appeal periods have expired without an appeal having been filed, (ii) investment income derived from the investment of moneys described in clause (i) or (ii), (iii) any moneys with respect to which an opinion of nationally recognized bankruptcy counsel has been received by the Trustee to the effect that payments by the Trustee in respect of the Bonds, as provided in the Indenture, derived from such moneys would not constitute transfers avoidable under 11 U.S.C. §547(b) and recoverable from the Owners under 11 U.S.C. §550(a) should the Institution be the debtor in a case under Title 11 of the United States Code, as amended or (iv) proceeds of refunding bonds.

Beneficial Owner shall mean, so long as the Bonds are negotiated in the Book-Entry System, any Person who acquires a beneficial ownership interest in a Bond held by the Securities Depository. If at any time the Bonds are not held in the Book-Entry Only System, Beneficial Owner shall mean Owner for purposes of the Indenture.

Beneficial Owner (Auction Bonds) means the customer of a Broker-Dealer for the Bonds in the Auction Rate Mode who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as the holder of a Bond in the Auction Rate Mode.

Bid shall have the meaning specified in the Indenture.

Bidder shall mean each Existing Owner and Potential Owner who places an Order.

BMA Municipal Swap Index shall mean The Bond Market AssociationTM Municipal Swap Index as disseminated by Municipal Market Data, a Thomson Financial Services Company, or its successor, for the most recent preceding Business Day.

Bond Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Bond Counsel shall mean Harris Beach PLLC or other counsel acceptable to the Agency and the Trustee experienced in matters relating to tax exemption of interest on bonds issued by states and their political subdivisions.

Bond Purchase Agreement shall mean the Contract of Purchase, dated December 21, 2005, by and among the Agency, the Underwriter and the Institution.

Bondholder, Holder of Bonds, Holder or holder shall mean any Person who shall be the registered owner of any Bond or Bonds.

Bond Registrar shall mean the Trustee acting as registrar as provided in the Indenture.

Bond Resolution shall mean the resolution of the Agency adopted on December 8, 2005 authorizing the Project and the issuance of the Series 2005 Bonds.

Bonds shall mean the Series 2005 Bonds and any Additional Bonds.

Book-Entry Only System shall mean the system maintained by the Securities Depository described in the Indenture.

Broker-Dealer shall mean any entity or entities that is permitted by law to perform the function required of a Broker-Dealer described in the Indenture that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Institution, and that is a party to a Broker-Dealer Agreement with the Auction Agent.

Broker-Dealer Agreement shall mean an agreement among the Auction Agent and the Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in the Indenture, as such agreement may from time to time be amended or supplemented.

Broker-Dealer fee means a rate of 0.25% or such different rate as may be established pursuant to a Broker-Dealer Agreement.

Business Day shall mean (a) a day other than a Saturday or Sunday or a day on which the Trustee, the Auction Agent, the Broker-Dealer, the Series 2005 Bond Insurer or banks and trust companies in New York, New York are authorized or required to remain closed; and (b) in the case of the Series 2005 Bonds in a Mode other than an Auction Mode, any day other than (i) a Saturday, a Sunday, a legal holiday, (ii) a day on which banking institutions in New York, New York or any city in which the principal office of the Trustee is located are authorized by law or executive order to remain closed, (iii) a day on which the office of the Liquidity Provider or the provider of the Alternate Credit Enhancement is authorized or permitted to close, or (iv) a day on which The Depository Trust Company is closed for business.

Cash and Investments shall mean that portion of the Property of the Institution constituting unrestricted cash and marketable securities, including, however, moneys on deposit in any fund pledged to pay debt service on Indebtedness.

Cede & Co. shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2005 Bonds.

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

City shall mean the City of Yonkers, New York.

Code shall mean the Internal Revenue Code of 1986, as amended, including the regulations thereunder.

Closing Date shall mean the date of original issuance and delivery of the Series 2005 Bonds.

Company Lease shall mean the Company Lease Agreement, dated as of even date herewith, between the Institution and the Agency, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith.

Completion Indebtedness shall mean any Long-Term Indebtedness, incurred or issued by the Institution for the purpose of financing the completion of a project for which Long-Term Indebtedness has already been issued or incurred.

Connecticut Facility shall mean the Institutions operations located at 3 Hall Kilbourne Road, Colchester, Connecticut 06415.

Construction Account shall mean the special trust account of the Project Fund so designated, established pursuant to the Indenture.

Constructively Tendered Series 2005 Bonds shall mean all Series 2005 Bonds tendered or deemed tendered for purchase in accordance with the Indenture.

Conversion Date shall mean the date on which a new Mode becomes effective; provided, however, that if the Bonds to be converted are in the Auction Rate Mode, no Conversion Date may be on an Interest Payment Date that occurs during a Special Auction Period of ninety-two or more days, but must be on the Interest Payment Date next succeeding the last day of such Special Auction Period.

Costs of Issuance shall mean all items of expense directly or indirectly payable by or reimbursable to the Agency or the Institution and related to the authorization, issuance, sale and delivery of the Series 2005 Bonds, including but not limited to, underwriter's spread (whether realized directly or derived through purchase of Series 2005 Bonds at a discount below the price at which they are expected to be sold to the public); counsel fees (including bond counsel, underwriter's counsel, Trustee's counsel, Agency's counsel, Institution's counsel, the Series 2005 Bond Insurer's counsel, as well as any other specialized counsel fees incurred in connection with the borrowing); financial advisor fees of any financial advisor to the Agency or the Institution incurred in connection with the issuance of the Series 2005 Bonds; advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, the premium payable to the Series 2005 Bond Insurer for the Series 2005 Bond Insurance Policy, initial and ongoing fees and charges of the Agency, Liquidity Facility fees, legal fees and charges, fees and disbursements of consultants and professionals, Rating Agency fees, fees and charges for preparation, execution, transportation and safekeeping of the Series 2005 Bonds, and any other cost, charge or fee in connection with the original issuance of Series 2005 Bonds.

Costs of Issuance Account shall mean the special trust account of the Project Fund so designated, established pursuant to the Indenture.

Counsel shall mean an attorney-at-law or law firm who may be counsel for the Agency or the Institution.

Credit Enhancement shall mean a direct-pay letter of credit, insurance policy, surety bond, line of credit or other instrument then in effect which secures or guarantees the payment of principal of and interest on a Series of Bonds, if any.

Credit Enhancement Failure or Liquidity Facility Failure shall mean a failure of a Credit Provider or Liquidity Provider, as applicable, to pay a properly presented and conforming draw or request for advance under the Credit Enhancement or Liquidity Facility, as applicable, or the filing or commencement of any bankruptcy or insolvency proceedings by or against the Credit Provider or Liquidity Provider, as applicable, or the Credit Provider or Liquidity Provider, as applicable, shall declare a moratorium on the payment of its unsecured debt obligations or shall repudiate the Credit Enhancement or Liquidity Facility, as applicable.

Credit Provider shall mean any bank, insurance company, pension fund or other financial institution which provides Credit Enhancement or Alternate Credit Enhancement for a Series of Bonds.

Credit Provider Event of Insolvency shall mean, with respect to the applicable Credit Provider, (i) the institution of a proceeding in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation, dissolution, supervision in respect of such Credit Provider under any bankruptcy, insolvency, insurance or other similar law now or hereafter in effect and the continuance of such proceeding for a period of sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding and such order is not reversed or action thereunder stayed within sixty (60) days of such entry, (ii) the making by such Credit Provider of an assignment for the benefit of creditors or (iii) the failure of such Credit Provider to generally pay its debts as they become due.

Current Mode shall have the meaning specified in the Indenture.

Daily Mode shall mean, with respect to any Bonds, the Mode during which such Bonds bear interest at a Daily Rate.

Daily Rate shall mean the interest rate per annum borne by any Bond in the Daily Mode established and determined as provided in the Indenture.

Daily Rate Period shall mean the period during which a Bond in the Daily Mode shall bear interest at a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

Debt Service Coverage Ratio shall mean, for any period, the ratio of (a) Funds Available for Debt Service received during such period to (b) the Debt Service Requirement on Long-Term Indebtedness for such period.

Debt Service Requirement shall mean,

(a) With reference to a specified period, (i) interest accruing on Long-Term Indebtedness during such period, except to the extent such interest is payable from the proceeds of such Long-Term Indebtedness, (ii) amounts required to be paid during the period with respect to such principal, mandatory redemption, scheduled optional redemption, or sinking fund requirements on Long-Term Indebtedness, and (iii) all lease rental payments during such period on Long-Term Indebtedness which evidence the acquisition of capital assets which are required to be capitalized under generally accepted accounting principles.

(b) For the purpose of determining the interest rate on any Long-Term Indebtedness that bears interest at a variable rate, such interest rate shall be assumed to be: (i) for the purpose of determining whether such Long-Term Indebtedness may be incurred, the rate estimated by a Authorized Representative of the Institution to be in effect at the time of such issuance or incurrence, plus .50% per annum; or (ii) for the purpose of Long-Term Indebtedness outstanding, the average rate over the preceding 12 month period (or such shorter period as the variable rate Long-Term Indebtedness has been outstanding).

(c) For the purpose of determining the Debt Service Requirement on any Long-Term Indebtedness for any prospective period, including computation of the Maximum Annual Debt Service Requirement, the total amount of such Long-Term Indebtedness for which sufficient funds are irrevocably escrowed shall be disregarded, but the interest thereon, to the extent not defeased, shall be calculated as in clause (b) above.

Defeasance Obligations shall mean (i) noncallable Government Obligations, (ii) evidence of ownership of a proportionate interest in specified Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, (iii) Defeased Municipal Obligations, and (iv) evidences of ownership of a proportionate interest in specified Defeased Municipal Obligations, which Defeased Municipal Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

Defeased Municipal Obligations shall mean obligations of state or local government municipal bond issuers which are rated in the highest rating category by S&P and Moody's, respectively, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations, or (ii) evidences of ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian, the maturing principal and interest on such Government Obligations or evidences of ownership, when due and payable, being sufficient to provide money to pay the principal of, premium, if any, and interest on such obligations of such state or local government municipal bond issuers.

Earnings Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Effective Date shall mean the date on which a new interest rate takes effect.

Electronic Means shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

Escrow Agent shall mean the Trustee acting as escrow agent under the Escrow Agreement.

Escrow Agreement shall mean the Escrow Agreement dated December 22, 2005, by and among the Agency, the Institution and the Trustee.

Escrow Fund shall have the meaning assigned to such term in the Escrow Agreement.

Event of Default shall have the meaning specified in the Indenture (and used with respect to any other agreement or document, the event or events of default specified in such agreement or document).

Existing Owner shall mean a Person or a Broker-Dealer who is listed as a Beneficial Owner (Auction Bonds) of Auction Rate Bonds in the records of the Auction Agent.

Expiration Date shall mean the stated expiration date of any Credit Enhancement or Liquidity Facility, as it may be extended from time to time as provided in the Credit Enhancement or the Liquidity Facility, or any earlier date on which a Credit Enhancement or Liquidity Facility shall terminate, expire or be cancelled.

Facility shall have the meaning assigned to such term in the Indenture.

Facility Personalty or Equipment or Facility Equipment shall mean those items of trade fixtures, furniture, equipment or other tangible personalty acquired in whole or in part with the proceeds of the Bonds for installation or use at or in connection with the Facility Realty as part of the Project pursuant to the Lease Agreement and described in the Description of Facility Personalty in the appendices attached hereto and made a part of the Indenture, together with all repairs, replacements, improvements, substitutions and renewals thereof or therefor, and all parts, additions and accessories incorporated therein or affixed thereto. Facility Personalty shall, in accordance with the provisions of the Lease Agreement, include all property substituted for or replacing items of Facility Personalty and exclude all kinds of Facility Personalty so substituted for or replaced, and further exclude all items of Facility Personalty removed as provided in the Lease Agreement. Facility Personalty shall not include Institution's Property within the meaning as defined in the Lease Agreement.

Facility Realty or Land shall have the meaning assigned to such term in the Indenture.

Favorable Opinion of Bond Counsel shall mean, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Act and the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

Fiscal Year of the Institution shall mean a year of 365 or 366 days, as the case may be, commencing on June 1 and ending on May 31, or such other year of similar length as to which the Institution shall have given prior written notice thereof to the Agency and the Trustee at least ninety (90) days prior to the commencement thereof.

Fitch shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Institution by notice in writing to the Agency and the Trustee.

Fixed Rate shall mean the per annum interest rate on any Bond in the Fixed Rate Mode determined pursuant to the Indenture.

Fixed Rate Conversion Date shall mean, with respect to all or a portion of the Bonds to be converted to the Fixed Rate Mode, the date on which the Fixed Rate shall take effect with respect to such Bonds.

Fixed Rate Bond shall mean a Bond in the Fixed Rate Mode.

Fixed Rate Mode shall mean the Mode during which any Bonds bear interest at the Fixed Rate.

Flexible Rate Bond shall mean a Bond in the Flexible Mode.

Flexible Mode shall mean the Mode during which any Bonds bear interest at the Flexible Rate.

Flexible Rate shall mean the per annum interest rate on a Bond in the Flexible Mode determined for such Bond pursuant to the Indenture. Bonds in the Flexible Mode may bear interest at different Flexible Rates.

Flexible Rate Period shall mean the period of from one to 360 calendar days (which period must end on a Business Day) during which a Flexible Rate Bond shall bear interest at a Flexible Rate, as established by the Remarketing Agent pursuant to the Indenture. Bonds in the Flexible Mode may be in different Flexible Rate Periods.

Funds Available for Debt Service shall mean in any period the sum of: (i) the Adjusted Annual Income of the Institution for such period, excluding, notwithstanding generally accepted accounting principles, casualty and condemnation proceeds other than business interruption insurance proceeds, proceeds of the sale of capital assets (excluding investment type property) not otherwise sold in the ordinary course of business of the Institution, gains and losses attributable to refundings, advance refundings and other early extinguishment of Indebtedness and restricted gifts and any other extraordinary gains or losses and unrealized gains or losses on investment type property and interest rate swaps and any other non-cash expenses; (ii) all interest expense of the Institution for such period with respect to Long-Term Indebtedness, except interest on any Long-Term Indebtedness that is paid from the proceeds of such Long-Term Indebtedness; and (iii) all depreciation expense, amortization of financing charges and other non-cash expenses deducted in accordance with generally accepted accounting principles in determining Adjusted Annual Income for such period.

Government Obligations shall mean direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America.

Guaranty Agreement shall mean the Guaranty Agreement dated as of even date herewith from the Institution to the Trustee, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and herewith.

Hold Order shall have the meaning specified in the Indenture.

Indebtedness shall mean without duplication, (i) all indebtedness of the Institution for borrowed moneys or which has been incurred or assumed in connection with the Project, (ii) all indebtedness, no matter how created, secured by the Facility or the Property of the Institution, whether or not such indebtedness is assumed by the Institution, (iii) the liability of the Institution under any lease of real or personal property that is properly capitalized on the balance sheet of the Institution in accordance with generally accepted accounting principles, and (iv) any guaranty by the Institution of any other Person for borrowed moneys or which has been incurred or assumed by such Person in connection with the acquisition of Property or the leasing of real or personal property which is properly capitalized on the balance sheet of such Person in accordance with generally accepted accounting principles, excluding Long-Term Indebtedness that has been defeased.

Indenture shall mean the Indenture of Trust, dated as of December 1, 2005, as from time to time amended or supplemented by Supplemental Indentures in accordance with the Indenture.

Independent Engineer shall mean a Person (not an employee of either the Agency, the Institution or any Affiliate thereof) registered and qualified to practice engineering or architecture under the laws of the State, selected by the Institution, and approved, in writing, by the Trustee (which approval shall not be unreasonably withheld).

Inducement Resolution shall mean the resolution of the Agency, adopted on November 15, 2005, authorizing the Project and undertaking to permit the issuance of the Series 2005 Bonds to finance the Project.

Institution shall mean Consumers Union of United States, Inc., a not-for-profit education corporation organized and existing under the laws of the State of New York, and its permitted successors and assigns pursuant to the Lease Agreement (including any surviving, resulting or transferee corporation as provided in the Lease Agreement).

Interest Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Interest Accrual Period shall mean the period during which a Bond accrues interest payable on the next Interest Payment Date applicable thereto. With respect to any Mode, each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid in such Mode, from the date of original authentication and delivery of the Bonds, or the Mode Change Date, as the case may be) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of

authentication of any Bond, interest is in default or overdue on the Bonds, such Bond shall bear interest from the date to which interest has previously been paid in full or made available for payment in full on Outstanding Bonds.

Interest Amount shall mean the aggregate amount available under any Credit Enhancement or Liquidity Facility, as applicable, to pay interest accruing on the Bonds or that portion of the Purchase Price constituting interest.

Interest Payment Date shall mean each date on which interest is to be paid and is: (i) with respect to the Bonds in the Flexible Mode, each Mandatory Purchase Date applicable thereto; (ii) with respect to the Bonds in the Daily Mode, Weekly Mode or R-FLOATs Mode other than Bonds in a Special R-FLOATs Rate Period, the first Business Day of each month; (iii) with respect to Bonds in a Special R-FLOATs Rate Period of 90 days or less, the first Business Day of the month following the last day of such Special R-FLOATs Rate Period and with respect to Bonds in a Special R-FLOATs Rate Period of more than 90 days, the first Business Day of each third month following the commencement of such Special R-FLOATs Rate Period and the first Business Day of the month following the last day of such Special R-FLOATs Rate Period; (iv) with respect to the Bonds in a Long-Term Mode, the first day of the sixth calendar month following the month in which such Long-Term Mode takes effect, and the first day of each sixth calendar month thereafter or, upon the receipt by the Trustee of a Favorable Opinion of Bond Counsel, any other six-month interval chosen by the Institution (beginning with the first such day which is at least three months after the Mode Change Date) and, with respect to a Term Rate Period, the final day of the current Interest Period if other than a regular six-month interval; (v) with respect to Auction Rate Bonds, the Business Day immediately following the last day of the initial Auction Period and the Business Day immediately following the last day of each subsequent Auction Period; unless such Auction Period has been changed pursuant to the Indenture to a period of 180 days or more in which case the day which is thirteen weeks from the first day of such Auction Period and the same day of each thirteenth week thereafter (unless such day is not a Business Day in which case on the next succeeding Business Day) and the Business Day immediately following the last day of such Auction Period or unless such Auction Period has been changed to a six-month Auction Period in which case to the next succeeding June 1 or December 1; (vi) (without duplication as to any Interest Payment Date listed above) any Mode Change Date, other than a change between a Daily Mode and a Weekly Mode, and the Maturity Date; and (vii) with respect to any Liquidity Provider Bonds, the day set forth in the Liquidity Facility.

Interest Period shall mean, for the Bonds in a particular Mode, the period of time that the Bonds bear interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include an Auction Period, a Flexible Rate Period, a Daily Rate Period, a Weekly Rate Period, a weekly R-FLOATs Period, a monthly R-FLOATs Period, a Term Rate Period and a Fixed Rate Period.

Interim Indebtedness shall mean Indebtedness incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness.

Lease Agreement shall mean the Lease Agreement, dated as of even date herewith, between the Agency and the Institution, and shall include any and all amendments thereof and supplements thereto hereafter made in conformity therewith and with the Indenture.

Liquidity Facility shall mean any letter of credit, line of credit, standby purchase agreement or other instrument then in effect which provides for the purchase of a Series of Bonds upon the tender thereof in the event remarketing proceeds are insufficient therefor.

Liquidity Provider shall mean any bank, insurance company, pension fund or other financial institution which provides a Liquidity Facility or Alternate Liquidity Facility for a Series of Bonds.

Liquidity Provider Bonds shall mean any Bonds purchased by the Liquidity Provider with funds drawn on or advanced under a Liquidity Facility.

Liquidity Test shall mean as of the end of the Institution's most recent Fiscal Year for which audited financial statements are available, the ratio of Unrestricted Resources to Indebtedness is not less than .80:1.

Long-Term Indebtedness shall mean Indebtedness having an original maturity greater than one year (including demand notes with alternative stated maturities of less than one year unless and until a demand for the payment thereof shall have been made), or Indebtedness renewable at the option of the obligor for a period greater than one year from the date of original incurrence or issuance thereof, which shall not include the current portion of such Long-Term Indebtedness as determined in accordance with generally accepted accounting principles.

Long-Term Mode shall mean a Term Rate Mode or a Fixed Rate Mode.

Loss Event shall have the meaning set forth for such term in the Lease Agreement.

Mandatory Purchase Date shall mean: (i) with respect to a Flexible Rate Bond, the first Business Day following the last day of each Flexible Rate Period with respect to such Bond, (ii) for Bonds in the Term Rate Mode, the first Business Day following the last day of each Term Rate Period, (iii) any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode), (iv) the effective date of an elective change to a Special R-FLOATs Rate Period of greater than 35 days; (v) for any Bonds which are secured by Credit Enhancement or the purchase of which is provided for by a Liquidity Facility, any Substitution Date (other than a substitution of an Alternate Credit Enhancement for Credit Enhancement while the applicable Bonds are in the Fixed Rate Mode), (vi) for any Bonds which are secured by Credit Enhancement or the purchase of which is provided for by a Liquidity Facility, the fifth Business Day prior to the Expiration Date (other than as a result of an Automatic Termination Event), and (vii) for any Bonds which are secured by Credit Enhancement or the purchase of which is provided for by a Liquidity Facility, the date specified by the Credit Provider or Liquidity Provider in a written notice to the Trustee following the occurrence of an event of default (other than an Automatic Termination Event) under the Reimbursement Agreement, which date shall be a Business Day not more than the number of days specified in the Credit Enhancement or

Liquidity Facility after the Trustee's receipt of such notice and in any event at least two Business Days prior to the termination of the Credit Enhancement or Liquidity Facility, if applicable.

Mandatory Tender for Purchase shall mean that Bonds are required to be tendered for purchase as follows, (A) for any Bond in the R-FLOATs Mode, on any Mode Change Date or the effective date of the Special R-FLOATs Rate Period of greater than 35 days; (B) for any Bond in a Variable Rate Mode as follows: (i) with respect to a Flexible Rate Bond, on the first Business Day following the last day of each Flexible Rate Period with respect to such Bonds, (ii) on any Mode Change Date (except a change in Mode between the Daily Mode and the Weekly Mode), (iii) on any Substitution Date, (iv) for any Bonds which are secured by Credit Enhancement or the purchase of which is provided for by a Liquidity Facility, on the fifth Business Day prior to the Expiration Date (other than as a result of an Automatic Termination Event), and (v) for any Bonds which are secured by Credit Enhancement or the purchase of which is provided for by a Liquidity Facility, on the date specified by the Credit Provider or Liquidity Provider in a written notice to the Trustee following the occurrence of an event of default (other than an Automatic Termination Event) under the Reimbursement Agreement, and (C) for any Bond in the Term Rate Mode, on the Purchase Date.

Maturity Date shall mean June 1, 2036.

Maximum Annual Debt Service Requirement means the greatest Debt Service Requirement in the then current or any future Fiscal Year.

Maximum Annual Debt Service Coverage Ratio means, for any period, the ratio of (a) Funds Available for Debt Service received during such period to (b) the Maximum Annual Debt Service Requirement on Long-Term Indebtedness for such period.

Maximum Rate shall mean the lesser of 12% per annum and the maximum rate of interest permitted by applicable law.

Mode shall mean, as the context may require, the Flexible Mode, the Daily Mode, the Weekly Mode, the R-FLOATs Mode, the Term Rate Mode, the Auction Rate Mode or the Fixed Rate Mode.

Mode Change Date shall mean with respect to the Bonds in a particular Mode, the day on which another Mode for such Bonds begins.

Mode Change Notice shall mean the notice from the Institution to the other Notice Parties of the Institution's intention to change the Mode with respect to the Bonds.

Moody's shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Institution by notice in writing to the Agency and the Trustee.

Mortgage shall mean the Mortgage and Security Agreement, dated as of even date herewith, from the Issuer and the Institution to the Trustee, together with any amendments and supplements thereto or restatements thereof.

Mortgaged Premises shall have the meaning assigned to such term in the Mortgage.

Net Proceeds shall mean, when used with respect to any insurance proceeds or condemnation award, compensation or damages, the gross amount from any such proceeds, award, compensation or damages less all expenses (including attorneys' fees and any extraordinary expenses of the Agency or the Trustee) incurred in the collection thereof.

New Mode shall have the meaning specified in the Indenture.

1989 Bonds shall mean the Agency's Series 1989 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Facility) in the original principal amount of \$20,000,000.

1991 Bonds shall mean the Agency's Series 1991 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Facility) in the original principal amount of \$10,000,000.

1994 Bonds shall mean the Agency's Series 1994 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Facility) in the original principal amount of \$15,000,000.

Non-Remarketing Period shall have the meaning specified in the Indenture.

Notice Parties shall mean the Agency, the Trustee, the Tender Agent, the Paying Agent, the Institution, the Remarketing Agent, the Credit Provider and the Liquidity Provider.

Opinion of Counsel shall mean a written opinion of counsel who may (except as otherwise expressly provided in the Lease Agreement or any other Security Document) be counsel for the Institution or the Agency and who shall be acceptable to the Trustee.

Order shall mean a Hold Order, Bid or Sell Order.

Outstanding, when used with reference to a Bond or Bonds, as of any particular date, shall mean all Bonds which have been issued, executed, authenticated and delivered under the Indenture, except: (i) Bonds cancelled by the Trustee because of payment or redemption prior to maturity or surrendered to the Trustee under the Indenture for cancellation; (ii) any Bond (or portion of a Bond) for the payment or redemption of which, in accordance with the Indenture, there has been separately set aside and held in the Redemption Account of the Bond Fund either: (A) moneys, and/or (B) Defeasance Obligations in such principal amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications as shall be necessary to provide moneys, in an amount sufficient to effect payment of the principal or applicable Redemption Price of such Bond, together with accrued interest on such Bond to the payment or redemption date, which payment or redemption date shall be specified in irrevocable

instructions given to the Trustee to apply such moneys and/or Defeasance Obligations to such payment on the date so specified, provided, that, if such Bond or portion thereof is to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice; and (iii) Bonds in exchange for or in lieu of which other Bonds shall have been authenticated and delivered under the Indenture, provided, however, that in determining whether the Holders of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, such Bonds including Bank Series 2005 Bonds owned by the Institution or any Affiliate of the Institution shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds which have been pledged in good faith to a Person other than the Liquidity Provider may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Institution or any Affiliate of the Institution. In the event that the principal of and interest due on the Series 2005 Bonds shall be paid by the Series 2005 Bond Insurer pursuant to the Series 2005 Bond Insurance Policy, the Series 2005 Bonds shall be considered Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Agency.

Parking Lot shall mean the Institution's parking lot located at 1363 Nepperhan Avenue, Yonkers, New York.

Paying Agent shall mean any paying agent for the Bonds appointed pursuant to the Indenture (and may include the Trustee) and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Indenture.

Permitted Encumbrances shall mean, as of any particular time,

(i) the Company Lease, the Lease Agreement, the Mortgage, the Pledge and Security Agreement, the Indenture and any other Security Documents;

(ii) liens for real estate taxes, assessments, levies and other governmental charges, the payment of which is not in default;

(iii) utility, access and other easements and rights-of-way restrictions and exceptions that an Authorized Representative of the Institution certifies to the Agency and the Trustee will not interfere with or impair the Institution's use of the Facility as provided in the Lease Agreement;

(iv) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to property similar in character to the Facility and as do not, either singly or in the aggregate, materially impair the property affected thereby for the purpose for which it is owned by the Institution;

(v) those exceptions to title to the Facility Realty enumerated in the title insurance policy delivered pursuant to the Lease Agreement insuring the Agency's leasehold

interest under the Company Lease in the Facility Realty, copies of which policy are on file at the principal corporate trust office of the Trustee and the office of the Agency;

(vi) any mechanic's, workmen's, repairmen's, materialmen's, contractors', warehousemen's, carriers', suppliers' or vendors' lien or right in respect thereof if payment is not yet due and payable, or are insured over, or which are not delinquent, or the amount or validity of which, are being contested and execution thereon is stayed or has been due for less than 90 days, all if and to the extent permitted by the Lease Agreement;

(vii) any mortgage, lien, security interest or other encumbrance which exists in favor of the Trustee;

(viii) any lien on Property, Plant or Equipment, provided that the amount of Property, Plant and Equipment encumbered pursuant to this clause (i) does not exceed ten percent (10%) of the current value of the Property, Plant and Equipment of the Institution, as applicable;

(ix) such other liens and exceptions to title that do not materially impair the value of the Property as approved in writing by the Trustee and the Series 2005 Bond Insurer;

(x) deposits, endorsements, guaranties, and other encumbrances incurred in the ordinary course of business and which do not secure Indebtedness;

(xi) Liens granted on a parity or subordinate basis with the Liens granted to the Trustee as security for the Bonds to secure Indebtedness incurred or permitted pursuant to the Lease Agreement;

(xii) Liens to secure Indebtedness permitted to be incurred pursuant to the Lease Agreement; and

(xiii) those Liens on the Facility in existence as of the date of the Indenture.

Person shall mean any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Pledge and Security Agreement shall mean the Pledge and Security Agreement, dated as of even date herewith, by and between the Institution and the Trustee.

Potential Owner shall mean any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Auction Rate Bonds in addition to the Auction Rate Bonds currently owned by such Person, if any.

Principal Account shall mean the special account so designated, established pursuant to the Indenture.

Principal Corporate Trust Office shall mean, as appropriate, the designated corporate trust office of the Trustee.

Principal Office of the Auction Agent shall mean the office of the Auction Agent designated in writing to the Agency, the Trustee, the Institution and each Broker-Dealer as the office of the Auction Agent to which notices, requests or communications should be sent.

Principal Payment Date shall mean any date upon which the principal amount of Bonds is due under the Indenture, including the Maturity Date, any Serial Maturity Date, any Redemption Date, or the date the maturity of any Bond is accelerated pursuant to the terms of the Indenture or otherwise.

Prior Bonds Redemption Date shall mean January 6, 2005, the date of redemption for the Series 1989 Bonds, the 1991 Bonds and the 1994 Bonds.

Project shall have the meaning given such term in the Indenture.

Project Costs shall mean

(i) all costs of engineering and architectural services with respect to the Project, including the cost of surveys, estimates, plans and specifications and for supervising renovation, as well as for the performance of all other duties required by or consequent upon the proper making of alterations, renovations, additions and improvements in connection with, the completion of the Project;

(ii) all costs paid or incurred for labor, materials, services, supplies and other expenses and to contractors, suppliers, builders and materialmen in connection with the completion of the Project;

(iii) all costs of contract bonds and of insurance that may be required or necessary during the period of Project renovation;

(iv) all costs of title insurance as provided in the Lease Agreement;

(v) the payment of the fees and expenses of the Trustee, the Remarketing Agent, the Tender Agent, the Auction Agent, the Broker-Dealer and the Series 2005 Bond Insurer during the period of renovation of the Project, legal and financial fees and expenses, printing and engraving costs, and all other costs and expenses incurred by or for the account of the Agency in connection with the preparation, authorization, sale, printing, rating and issuance of the Bonds, Blue Sky fees and expenses, fees and expenses of the Remarketing Agent and the preparation and execution of the Lease Agreement and the Indenture and all other documents (including Security Documents) in connection therewith or herewith and all other Costs of Issuance;

(vi) the interest due and payable on the Series 2005 Bonds from the date of issuance to the date of completion of the Project;

(vii) all costs which the Institution shall be required to pay, under the terms of any contract or contracts, for the completion of the Project, including any amounts required to

reimburse the Institution for advances made for any item otherwise constituting a Project Cost or for any other costs incurred and for work done which are properly chargeable to the Project; and

(viii) all other costs and expenses relating to the completion of the Project or the issuance of Additional Bonds.

"Project Costs" shall not include (i) fees or commissions of real estate brokers, (ii) moving expenses, or (iii) operational costs.

Project Documents shall mean, collectively, the Security Documents, the Auction Agreement, the Bond Purchase Agreement and the Broker-Dealer Agreement.

Project Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Property, Plant and Equipment shall mean all Property of the Institution that is considered net property, plant and equipment under generally accepted accounting principles.

Purchase Date shall mean (i) for a Bond in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of said Bond pursuant to the provisions of the Indenture, (ii) for a Bond in the weekly R-FLOATs Mode, any Rate Determination Date, for a Bond in the monthly R-FLOATs Mode, any Interest Payment Date, and for a Bond in the Special R-FLOATs Rate Period, the Interest Payment Date immediately following such Special R-FLOATs Rate Period in each case selected by the Beneficial Owner of said Bond, provided that the Bonds in the R-FLOATs Mode are entitled to be purchased only to the extent the proceeds of a remarketing are available for such purchase; and (iii) any Mandatory Purchase Date.

Purchase Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Purchase Price shall mean an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus, in the case of any purchase of Bonds in the Daily Mode, the Weekly Mode or the R-FLOATs Mode and Bonds purchased on a Mandatory Purchase Date that is not an Interest Payment Date, accrued interest, if any.

Qualified Investments shall mean, to the extent permitted by applicable law, the following:

(A) the following Qualified Investments can be used for all purposes including defeasance investments:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation),
- (2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including: U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, General Services Administration, Guaranteed

Title XI financing, Government National Mortgage Association (GNMA), and State and Local Government Series.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

(B) the following Qualified Investments may be used for all other purposes other than defeasance investments:

(1) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: Export-Import Bank, Rural Economic Community Development Administration, U.S. Maritime Administration, Small Business Administration, U.S. Department of Housing & Urban Development (PHAs), Federal Housing Administration, Federal Financing Bank,

(2) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC), Obligations of the Resolution Funding Corporation (REFCORP), Senior debt obligations of the Federal Home Loan Bank System, Senior debt obligations of other Government Sponsored Agencies approved by the Series 2005 Bond Insurer,

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(4) commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(6) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or which are fully secured as to principal and

interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(7) Municipal Obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P;

(8) investment agreements approved in writing by the Series 2005 Bond Insurer (supported by appropriate opinions of counsel); and

(9) other forms of investments (including repurchase agreements) approved in writing by the Series 2005 Bond Insurer.

(C) The value of the above investments shall be determined as follows:

(1) For the purpose of determining the amount in any fund, all Qualified Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.

(2) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus, accrued interest thereon.

Rate Determination Date shall mean any date on which the interest rate on Bonds shall be determined, which, (i) in the case of the Flexible Mode, shall be the first day of an Interest Period; (ii) in the case of the Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) the Bonds become subject to the Daily Mode; (iii) in the case of the initial conversion to the Weekly Mode, shall be no later than the Business Day prior to the Mode Change Date, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, then the Business Day next preceding such Wednesday; (iv) in the case of the initial conversion to the R-FLOATs Mode, shall be no later than the Business Day prior to the Mode Change Date, and thereafter, shall be in the case of R-FLOATs with a weekly R-FLOATs Rate each Thursday or, if Thursday is not a Business Day, the next succeeding day which is a Business Day, in the case of R-FLOATs with a monthly R-FLOATs Rate the first Business Day of each month and in the case of R-FLOATs in a Special R-FLOATs Rate Period the first day of such Special R-FLOATs Rate Period; (v) in the case of the Term Rate Mode, shall be a Business Day no earlier than fifteen (15) Business Days and no later than the Business Day next preceding

the first day of an Interest Period, as determined by the Remarketing Agent; and (vi) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

Rating Agency means each of S&P, Moody's and Fitch or any other nationally recognized rating service, or the successor thereto, which shall have issued a rating on any Bonds Outstanding at the request of the Institution.

Rating Category shall mean one of the generic rating categories of a Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rating Confirmation Notice shall mean a notice from Moody's, S&P or Fitch, as appropriate, confirming that the rating on the Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Long-Term Mode) as a result of the action proposed to be taken.

Rebate Fund shall mean the special trust fund so designated, established pursuant to the Indenture.

Record Date shall mean (i) with respect to Bonds in a Short-Term Mode, the last Business Day before an Interest Payment Date and (ii) with respect to Bonds in a Long-Term Mode, the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

Redemption Account shall mean the special trust account of the Bond Fund so designated, established pursuant to the Indenture.

Redemption Date shall mean the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Indenture.

Redemption Price shall mean, with respect to any Bond or a portion thereof, the principal amount thereof to be redeemed in whole or in part, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Indenture.

Reimbursement Agreement shall mean any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, by and between the Credit Provider or Liquidity Provider, as applicable, and the Institution.

Related Security Documents shall mean all Security Documents other than the Indenture.

Remarketing Agent shall mean any Remarketing Agent or successor or additional Remarketing Agent appointed in accordance with the Indenture.

Remarketing Agreement shall mean the agreement by that name entered into by the Remarketing Agent and the Institution, and any amendments and supplements thereto.

Remarketing Proceeds Account shall mean the special trust account of the Purchase Fund so designated, established pursuant to the Indenture.

Rental Payment Date shall mean two (2) Business Days prior to each Interest Payment Date.

Representation Letter shall mean the Representation Letter from the Agency to DTC with respect to the Series 2005 Bonds.

Repurchase Account shall mean the special trust account of the Purchase Fund so designated, established pursuant to the Indenture.

R-FLOATs Mode shall mean the Mode during which any Bonds bear interest at the R-FLOATs Rate.

R-FLOATs Rate shall mean an interest rate that is determined on a weekly basis or a monthly basis with respect to any Bonds in the R-FLOATs Mode, unless such Bonds are in a Non-Remarketing Period in which case at the Maximum Rate, or in a Special R-FLOATs Rate Period in which case pursuant to the Indenture.

R-FLOATs Rate Period shall mean (i) for Bonds bearing interest at a weekly R-FLOATs Rate, the period commencing the first day Bonds begin to accrue interest in the weekly R-FLOATs Mode and ending on the next succeeding Wednesday, and thereafter commencing on each Thursday and ending on Wednesday of the following week, (ii) for Bonds bearing interest at a monthly R-FLOATs Rate, the period commencing on the first day Bonds begin to accrue interest at the monthly R-FLOATs Mode and ending on the day immediately preceding the first Business Day of the next succeeding month, and thereafter commencing on the first Business Day of each month and ending on the day preceding the first Business Day of the next succeeding month; and (iii) a Special R-FLOATs Rate Period.

S&P shall mean Standard & Poor's Ratings Services, a division of The McGraw - Hill Companies, Inc., a corporation organized and existing under the laws of the State, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Institution by notice in writing to the Agency and the Trustee.

Securities Depository means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Trustee which agrees to follow the procedures required to be followed by such securities depository in connection with the Auction Rate Bonds.

Security Documents shall mean the Lease Agreement, the Mortgage, the Pledge and Security Agreement, the Indenture, the Guaranty Agreement, the Tax Compliance Agreement, the Series 2005 Bond Insurance Policy (including any Alternate Credit Enhancement) and any Liquidity Facility.

Sell Order shall have the meaning specified in the Indenture.

Serial Bonds shall mean the Bonds maturing on the Serial Maturity Dates, as determined pursuant to the Indenture.

Serial Maturity Dates shall mean the dates on which the Serial Bonds mature, as determined pursuant to the Indenture.

Serial Payments shall mean the payments to be made in payment of the principal of the Serial Bonds on the Serial Maturity Dates.

Series 2005 Bond Insurance Policy shall mean the financial guaranty bond insurance policy issued by the Series 2005 Bond Insurer simultaneously with the delivery of the Series 2005 Bonds, insuring the payment when due of the principal of and interest on the Series 2005 Bonds as provided therein.

Series shall mean all of the Bonds designated as being of the same Series authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu thereof or in substitution therefor pursuant to the Indenture.

Series 2005 Bond Insurer or Bond Insurer shall mean Ambac Assurance Company, a Wisconsin-domiciled stock insurance company.

Series 2005 Bond Insurer Disqualification Event shall mean any of the following events or circumstances:

(i) the Series 2005 Bond Insurer has failed to pay or has wrongfully dishonored any amount under the Series 2005 Bond Insurance Policy,

(ii) the Series 2005 Bond Insurance Policy shall at any time for any reason be determined under applicable law, by a court of final competent jurisdiction, to be null and void and not valid and binding on the Series 2005 Bond Insurer or the validity or enforceability thereof is being contested by the Series 2005 Bond Insurer,

(iii) a Credit Provider Event of Insolvency shall have occurred, or

(iv) the Series 2005 Bond Insurance Policy is no longer in effect.

Series 2005 Bonds or Bonds shall mean the \$47,300,000 Multi-Modal Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Project), Series 2005 of the Agency, issued, executed, authenticated and delivered under the Indenture.

Short-Term Indebtedness shall mean in connection with the term Indebtedness, any borrowing with a stated maturity of not more than 365 days.

Short Term Interest Period shall mean a Daily Rate Period, a Weekly Rate Period or a Flexible Rate Period.

Short-Term Mode shall mean the Daily Mode, the Weekly Mode, the R-FLOATs Mode or the Flexible Mode.

Sinking Fund Installment shall mean the amount required by the Indenture as payable on a single future date for the retirement of any Outstanding Bonds of a Series which are expressed to mature after such future date, but does not include any amounts payable by reason only of the maturity of a Bond.

Sinking Fund Installment Account shall mean the special trust account of the Bond Fund so designated, which is established pursuant to the Indenture.

Special Auction Period shall mean any period of not less than seven (7) days nor more than three years which is not another Auction Period and which begins on an Interest Payment Date and ends on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

Special Record Date shall mean such date as may be fixed for the payment of defaulted interest in accordance with the Indenture.

Special R-FLOATs Rate Period shall mean a period not to exceed 1,095 days which ends on the last day of a month and which the Remarketing Agent determines is the shortest period which will enable the Remarketing Agent to remarket the Bonds in the R-FLOATs Mode at par plus accrued interest.

State shall mean the State of New York.

Submission Deadline shall mean 1:00 p.m., City of New York time, on each Auction Date for Bonds not in a daily Auction Period and 11:00 a.m. City of New York time on each Auction Date for Bonds in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

Submitted Bid shall have the meaning specified in the Indenture.

Submitted Hold Order shall have the meaning specified in the Indenture.

Submitted Order shall have the meaning specified in the Indenture.

Submitted Sell Order shall have the meaning specified in the Indenture.

Sufficient Clearing Bids shall mean an Auction for which the aggregate principal amount of the Auction Rate Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Rate is not less than the aggregate principal amount of the Auction Rate Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Rate.

Supplemental Indenture shall mean any indenture supplemental to or amendatory of the Indenture, executed and delivered by the Agency and the Trustee in accordance with the Indenture.

Tax Compliance Agreement shall mean the Tax Compliance Agreement, dated the date of original delivery of the Series 2005 Bonds, by and between the Agency and the Institution, and any amendments and supplements thereto.

Tax-Exempt Organization shall mean a Person organized under the laws of the United States of America or any state thereof which is an organization described in Section 501(c)(3) of the Code and exempt from federal income taxes under Section 501(a) of the Code, or corresponding provisions of federal income tax laws in effect from time to time.

Tender Agent shall mean The Bank of New York, New York, New York, and any successor tender agent appointed pursuant to the Indenture.

Tender Notice Deadline shall mean (i) during the Daily Mode, 11:00 A.M. on any Business Day, (ii) during the Weekly Mode, 3:00 P.M. on the Business Day five days prior to the applicable Purchase Date, and (iii) during the R-FLOATs Mode, 3:00 P.M. on the Business Day prior to the applicable Purchase Date.

Tender Notice shall mean a notice delivered by Electronic Means or in writing that states (i) the principal amount of such Bond to be purchased pursuant to the Indenture, (ii) the Purchase Date on which such Bond is to be purchased, (iii) applicable payment instructions with respect to the Bonds being tendered for purchase and (iv) an irrevocable demand for such purchase.

Term Rate shall mean the per annum interest rate for the Bonds in the Term Rate Mode determined pursuant to the Indenture.

Term Rate Mode shall mean the Mode during which any Bonds bear interest at the Term Rate.

Term Rate Period shall mean the period from (and including) the Mode Change Date to (but excluding) the last day of the first period that the Bonds shall be in the Term Rate Mode as established by the Institution for the Bonds pursuant to the Indenture and, thereafter, the period from (and including) the beginning date of each successive Interest Rate Period selected for the Bonds by the Institution pursuant to the Indenture while it is in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in the Indenture, an Interest Period for the Bonds in the Term Rate Mode must be at least 180 days in length.

Transaction Test shall mean, as of the end of the Institution's most recent Fiscal Year for which audited financial statements are available and taking into account any proposed Indebtedness, any merger or disposition of assets or other event requiring compliance as if it occurred in such Fiscal Year, (A) Maximum Annual Debt Service Coverage Ratio is at least 1.35:1, and (B) the ratio of Unrestricted Resources to Indebtedness is not less than .90:1.

Trustee shall mean The Bank of New York, New York, New York, in its capacity as Trustee under the Indenture, and its successors in such capacity and their assigns hereafter appointed in the manner provided in the Indenture.

Trust Estate shall mean all property, interests, revenues, funds, contracts, rights and other security granted to the Trustee under the Security Documents.

Unrestricted Resources shall mean the sum of the Institution's shareholder or corporate equity, less an amount equal to the difference between (A) Institution's net Property, Plant and Equipment, and (B) all outstanding indebtedness used to acquire or secured by such Property, Plant and Equipment, as shown on the Institution's most recent audited financial statements..

Variable Rate Mode shall mean any of a Daily Mode, Weekly Mode, R-FLOATs Mode, Flexible Mode or Term Rate Mode.

Weekly Mode shall mean the Mode during which any Bonds bear interest at the Weekly Rate.

Weekly Rate shall mean the per annum interest rate on the Bonds in the Weekly Mode determined pursuant to the Indenture.

Weekly Rate Period shall mean the period during which a Bond in the Weekly Mode shall bear a Weekly Rate, which shall be the period commencing on Wednesday of each week to and including Tuesday of the following week, except the first Weekly Rate Period which shall be from the Mode Change Date or date of initial issuance of the Bonds, as applicable, to and including the Tuesday of the following week and the last Weekly Rate Period which shall be from and including the Wednesday of the week prior to the Mode Change Date to the day next succeeding the Mode Change Date.

Winning Bid Rate shall mean the lowest interest rate specified in any Submitted Bid which, if selected by the Auction Agent as the Auction Rate, would cause the aggregate principal amount of Auction Rate Bonds that are the subject of Submitted Bids specifying an interest rate not greater than such interest rate to be at least equal to the aggregate principal amount of Available Bonds.

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APPENDIX D

SUMMARY OF THE INDENTURE OF TRUST AND THE LEASE AGREEMENT

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APPENDIX D

SUMMARY OF THE INDENTURE OF TRUST AND THE LEASE AGREEMENT

INDENTURE OF TRUST

The following is a summary of certain provisions of the Indenture, and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Indenture for complete details of the terms thereof.

All terms not otherwise defined below shall have the meaning given to such terms in Appendix C attached to this Official Statement.

Authorized Amount of Bonds; Pledge Effected by the Indenture.

The proceeds of the Bonds deposited in the Project Fund and certain of the rental payments, receipts and revenues derived from or in connection with the Facility, including moneys which are required to be set apart, transferred and pledged to the Bond Fund, to the Earnings Fund or to certain special funds (including the investments, if any, thereof) (subject to disbursements from such Funds in accordance with the provisions of the Indenture) are pledged by the Indenture for the payment of the principal or Redemption Price, if any, of, Purchase Price, Sinking Fund Installments for, and interest on, the Bonds. The Bonds shall be the special obligations of the Agency and shall be payable by the Agency as to the principal or Redemption Price, if any, of the Bonds, Sinking Fund Installments for the Bonds, Purchase Price of, and interest on the Bonds only from the Funds, special funds and rental payments, revenues and receipts pledged therefor. The Bonds are additionally secured by a pledge and assignment of substantially all of the Agency's right, title and interest in and to the Lease Agreement. The payment of the principal of, Sinking Fund Installments for, redemption premium, if applicable, Purchase Price, and interest on the Series 2005 Bonds has been guaranteed by the Institution pursuant to the Guaranty Agreement. The Series 2005 Bonds are also secured by the Mortgage pursuant to which the Agency and the Institution have granted to the Trustee a first priority mortgage lien on and security interest in a portion of the Mortgaged Premises. The Series 2005 Bonds are guaranteed as to the payment of principal and interest when due, to the extent that sufficient funds for such payment have not been provided, pursuant to the Series 2005 Bond Insurance Policy.

Issuance and Terms of the Series 2005 Bonds.

Each Series 2005 Bond shall bear interest from the Bond Date indicated thereon, if authenticated prior to the first Interest Payment Date. If authenticated on or after the first Interest Payment Date, in exchange for or upon the registration of transfer of Series 2005 Bonds, such Series 2005 Bond shall bear interest from and including the Interest Payment Date next preceding the date of authentication thereof, unless the date of such authentication shall be an Interest Payment Date to which interest thereon has been paid in full or duly provided for, in which case, such Series 2005 Bond shall bear interest from and including such Interest Payment Date.

Calculation and Payment of Interest; Change in Mode; Maximum Rate.

When a Short-Term Mode is in effect, interest shall be calculated on the basis of a 365/366 day year for the actual number of days elapsed. When a Long-Term Mode is in effect, interest shall be calculated on the basis of a 360-day year comprised of twelve (12) 30-day months. Payment of interest on each Bond shall be made on each Interest Payment Date for such Bond for unpaid interest accrued during the Interest Accrual Period to the Owner of record of such Bond on the applicable Record Date. All or a portion of the Bonds in any Mode, other than a Fixed Rate Mode, may be changed to any other Mode at the times and in the manner provided under the Indenture. Subsequent to such change in Mode (other than a change to a Fixed Rate Mode), all or a portion of the Bonds may again be changed to a different Mode at the times and in the manner provided under the Indenture. A Fixed Rate Mode shall be in effect until the respective Maturity Date, or acceleration thereof prior to such Maturity Date, and may not be changed to any other Mode. No Bonds shall bear interest at an interest rate higher than the Maximum Rate.

Determination of Flexible Rates and Interest Periods During Flexible Mode.

An Interest Period for the Bonds in the Flexible Mode shall be of such duration of from one to 360 calendar days, ending on a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of the Indenture. A Flexible Rate Bond can have an Interest Period, and bear interest at a Flexible Rate, different than another Flexible Rate Bond. In making the determinations with respect to Interest Periods, subject to limitations imposed by the Indenture, on each Rate Determination Date for a Flexible Rate Bond, the Remarketing Agent shall select for such Bond the Interest Period which would result in the Remarketing Agent being able to remarket such Bond at par in the secondary market at the lowest average interest cost; provided, however, that if the Remarketing Agent has received notice from the Institution that the Bonds are to be changed from the Flexible Mode to any other Mode, the Remarketing Agent shall select Interest Periods which do not extend beyond the resulting applicable Mandatory Purchase Date of the Bonds.

On each Rate Determination Date, the Remarketing Agent, with respect to each Bond in the Flexible Mode which is subject to adjustment on such date, shall determine the Flexible Rate(s) for the Interest Periods then selected for such Bond and shall give notice by Electronic Means to the Paying Agent and the Institution, of the Interest Period, the Purchase Date(s) and the Flexible Rate(s).

Determination of Interest Rates During the Daily Mode, the Weekly Mode and the R-FLOATs Mode.

The interest rate for the Bonds in the Daily Mode, Weekly Mode or R-FLOATs Mode (except during any Non-Remarketing Period, in which case interest shall accrue at the Maximum Rate pursuant to the Indenture) shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the Bonds in the Daily Rate Period, Weekly Rate Period or R-

FLOATs Rate Period, as applicable, at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date during the then current Interest Accrual Period.

During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 10:00 A.M. on each Rate Determination Date. The Daily Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date.

During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 10:00 A.M. on each Rate Determination Date. The Weekly Rate shall be in effect (i) initially, from and including the first day the Bonds become subject to the Weekly Mode to and including the following Tuesday and (ii) thereafter, from and including each Wednesday to and including the following Tuesday.

During the R-FLOATs Mode (except during a Special R-FLOATs Rate Period in which case interest shall accrue at the R-FLOATs Rate determined pursuant to the Indenture and except during any Non-Remarketing Period in which case interest shall accrue at the Maximum Rate pursuant to the Indenture), the Remarketing Agent shall establish the R-FLOATs Rate which shall be the lowest rate which in the opinion of the Remarketing Agent will result in the Bonds in the R-FLOATs Mode trading at par plus accrued interest by 10:00 A.M. on each Rate Determination Date. The R-FLOATs Rate shall be in effect during the applicable R-FLOATs Rate Period.

In the event that the Bonds are in the R-FLOATs Mode and are not rated A-2 and A or higher by both Moody's and S&P, respectively, then not later than 1:00 P.M. on the Business Day immediately preceding the next Interest Payment Date the Remarketing Agent shall establish the maximum period for a Special R-FLOATs Rate Period for such Special R-FLOATs Rate Period which maximum Special R-FLOATs Rate Period shall be made available after 1:00 P.M. on the Business Day immediately prior to the Rate Determination Date by posting it electronically via L.P.'s Bloomberg Professional System and by telephone to the Trustee and any Beneficial Owner or Notice Party requesting such period. On the Rate Determination Date the Remarketing Agent shall not later than 10:00 A.M. select a Special R-FLOATs Rate Period which shall be the shortest period, but in no event longer than the maximum Special R-FLOATs Rate Period previously announced, and a rate which shall be the lowest rate which in the judgment of the Remarketing Agent would result in the Bonds trading at par plus accrued interest. In the event the Remarketing Agent is unable to set a Special R-FLOATs Rate Period and rate which will produce a sale of the Bonds at par plus accrued interest, the Bonds in the R-FLOATs Mode will bear interest at the Maximum Rate as determined pursuant to the Indenture. In addition, the Institution may elect to have the Bonds converted into a Special R-FLOATs Rate Period having duration of its choosing by giving at least ten days notice to the Trustee and the Tender Agent. On the effective date of such optional conversion to a Special R-FLOATs Rate Period of more than 35 days the affected Bonds shall be subject to mandatory purchase pursuant to the Indenture.

If any Bond in the R-FLOATs Mode is optionally tendered for purchase pursuant to the Indenture or is subject to mandatory purchase pursuant to the Indenture and either (A) the Remarketing Agent, after using its reasonable best efforts, is unable to remarket such Bond at the Purchase Price by 2:00 P.M. on the Purchase Date or Mandatory Purchase Date (whether such inability is due to market conditions or otherwise) or (B) such Bond is returned to the Holder thereof pursuant to the Indenture, then, from such Purchase Date or Mandatory Purchase Date until the date on which all Bonds that have been tendered or are subject to mandatory tender are successfully remarketed at the Purchase Price (the "Non-Remarketing Period"), the Bonds shall bear interest for a new Interest Period which shall be the same as the Interest Period just concluding unless such Interest Period was a Special R-FLOATs Rate Period, in which case the new Interest Period shall be a monthly Interest Period and the Bonds shall bear interest at the Maximum Rate. Following the Non-Remarketing Period, the Bonds shall (unless converted to a different Mode) bear interest at a rate per annum determined pursuant to the Indenture.

Determination of Term Rates and Fixed Rates.

Except as provided in the Indenture, once the Bonds are changed to the Term Rate Mode, the Bonds shall continue in the Term Rate Mode until changed to another Mode in accordance with the Indenture. The Term Rate shall be the minimum rate which, in the sole judgment of the Remarketing Agent, would result in a sale of the Bonds at a price equal to the principal amount thereof on the Rate Determination Date for the Interest Period selected by the Institution in writing delivered to the Remarketing Agent before such Rate Determination Date.

The Remarketing Agent shall determine the Fixed Rate for the Bonds being converted to the Fixed Rate Mode in the manner provided under the Indenture and the Fixed Rate shall be the minimum interest rate which, in the sole judgment of the Remarketing Agent, will result in a sale of the Bonds at a price equal to the principal amount thereof on the Rate Determination Date.

Alternate Rates.

The following provisions shall apply in the event (i) the Remarketing Agent fails or is unable to determine the interest rate or Interest Period for the Bonds, (ii) the method by which the Remarketing Agent determines the interest rate or Interest Period with respect to the Bonds (or the selection by the Institution of the Interest Periods for Bonds in the Term Rate Mode) shall be held to be unenforceable by a court of law of competent jurisdiction or (iii) if the Remarketing Agent suspends its remarketing effort in accordance with the Remarketing Agreement. In the case of clause (ii) above, the Remarketing Agent (or the Institution, if applicable) shall again make such determination at such time as there is delivered to the Remarketing Agent and the Agency an opinion of Bond Counsel to the effect that there are no longer any legal prohibitions against such determinations. The following shall be the methods by which the interest rates and, in the case of the Flexible and Term Rate Modes, the Interest Periods, shall be determined for the Bonds as to which either of the events described in clauses (i), (ii) or (iii) above shall be applicable. Such methods shall be applicable from and after the date either of the events described in clauses (i), (ii) or (iii) above first become applicable to the Bonds until such time as the events described in clauses (i), (ii) or (iii) above are no longer applicable to the Bonds. These provisions shall not apply if the Institution fails to select an Interest Period for the Bonds in the

Term Rate Mode for a reason other than as described in clause (ii) above. Notwithstanding clause (i) of the first sentence of this paragraph, if the Bonds are in the R-FLOATs Mode for an Interest Period of 35 days or less, the new R-FLOATs Interest Period shall be the same as the preceding Interest Period and the new R-FLOATs Rate shall be the same as the preceding R-FLOATs Rate, and, if the Bonds are in a Special R-FLOATs Rate Period of greater than 35 days, the new R-FLOATs Interest Period shall be a weekly R-FLOATs Interest Period and the R-FLOATs Rate for the first Interest Period will be the same as the preceding R-FLOATs Rate.

Changes in Mode.

Subject to the provisions of the Indenture and the Liquidity Facility then in effect, the Institution may effect a change in Mode with respect to all or a portion of the Bonds by following the procedures set forth in the Indenture; provided that the Institution's right to effect a change in Mode shall terminate on the date of defeasance of the Bonds pursuant to the Indenture.

All or a portion of the Bonds (other than Bonds in the Fixed Rate Mode) may be changed from a Variable Rate Mode to another Mode (other than the Fixed Rate Mode) as provided under the Indenture.

At the option of the Institution, all or a portion of the Bonds may be changed to the Fixed Rate Mode as provided in the Indenture. On any Business Day which is at least 45 days (or such shorter time as may be agreed to by the Agency, the Institution, the Trustee and the Remarketing Agent, but in any event not less than the thirtieth (30th) day next preceding the Mode Change Date) before the proposed Mode Change Date, the Institution shall give written notice to the Notice Parties and to the Rating Agencies stating that the Mode will be changed to the Fixed Rate Mode and setting forth the proposed Mode Change Date.

In the event certain conditions described in the Indenture have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect (although any mandatory tender shall be made on such date if notice has been sent to the Owners stating that such Bonds would be subject to mandatory purchase on such date). If the failed change in Mode was from the Flexible Mode, the Bonds shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the failed Mode Change Date in accordance with the Indenture. If the failed change in Mode was from the Daily Mode, the Bonds shall remain in the Daily Mode, if the failed change in Mode was from the Weekly Mode, the Bonds shall remain in the Weekly Mode, and if the failed change in Mode was from the R-FLOATs Rate Mode, the Bonds shall remain in the R-FLOATs Rate Mode, in each case with interest rates established in accordance with the applicable provisions of the Indenture on and as of the failed Mode Change Date. If the failed change in Mode was from the Term Rate Mode, then the Bonds shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the Bonds in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the failed Mode Change Date in accordance with the Indenture.

Tenders of Bonds for Purchase.

Subject to the Indenture, the Beneficial Owners of Bonds in a Daily Mode, Weekly Mode or R-FLOATs Mode may elect to have their Bonds (or portions of those Bonds in amounts equal to Authorized Denominations) purchased on any Business Day in the case of Bonds in a Daily Mode or a Weekly Mode, on any Rate Determination Date in the case of Bonds in a weekly R-FLOATs Mode, on any Interest Payment Date in the case of Bonds in a monthly R-FLOATs Mode and on the Interest Payment date immediately following a Special R-FLOATs Rate Period in the case of Bonds in a Special R-FLOATs Rate Period in each case at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Tender Agent by the Tender Notice Deadline. The Tender Agent shall give immediate notice of such Tender Notice to the Paying Agent.

The Bonds shall be subject to mandatory purchase on each Mandatory Purchase Date. The Tender Agent shall give notice of such mandatory purchase by mail to the Owners of the Bonds subject to mandatory purchase and to the Rating Agencies.

Redemption of Series 2005 Bonds.

Series 2005 Bonds are subject to redemption, at the option of the Agency exercised at the direction of the Institution (which option shall be exercised upon the giving of notice by the Institution to the Agency and the Trustee of its intention to prepay rental payments due under the Lease Agreement), in whole on any date or in part by lot, at a Redemption Price of one hundred percent (100%) of the principal amount of the Series 2005 Bonds or portions thereof to be redeemed, plus accrued interest to the date of redemption, (i) on any Interest Payment Date while in the Daily Mode, Weekly Mode, R-FLOATs Mode or Auction Rate Mode, (ii) on their respective Purchase Dates while in the Flexible Mode, and (iii) on their respective Mandatory Purchase Dates while in the Term Rate Mode.

Series 2005 Bonds, while in the Term Rate Mode or the Fixed Rate Mode, are subject to redemption, at the option of the Agency exercised at the direction of the Institution (which option shall be exercised upon the giving of notice by the Institution to the Agency and the Trustee of its intention to prepay rental payments due under the Lease Agreement), in whole on any date or in part on any Interest Payment Date at the redemption prices set forth in the Indenture, plus accrued interest to the date of redemption.

The Series 2005 Bonds are subject to redemption prior to maturity, at the option of the Agency exercised at the direction of the Institution (which option shall be exercised upon the giving of notice by the Institution to the Agency and the Trustee of its intention to prepay rental payments due under the Lease Agreement), as a whole on any date, at a Redemption Price equal to one hundred percent (100%) of the unpaid principal amount thereof, plus accrued interest to the date of redemption, if one or more of the following events shall have occurred: (i) the Facility shall have been damaged or destroyed to such extent as described in the Indenture; or (ii) title to, or the temporary use of, all or substantially all of the Facility shall have been taken or condemned by a competent authority which taking or condemnation results, or is likely to result, in the Institution being thereby prevented or likely to be prevented from carrying on its normal

operation of the Facility for a period of one (1) year from the date of such taking or condemnation, as evidenced by an opinion of an Independent Engineer filed with the Agency and the Trustee; or (iii) as a result of changes in the Constitution of the United States of America or of the State of New York or of legislative or executive action of said State or any political subdivision thereof or of the United States of America or by final decree or judgment of any court after the contest thereof by the Institution, the Lease Agreement becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein or unreasonable burdens or excessive liabilities are imposed upon the Institution by reason of the operation of the Facility.

The Series 2005 Bonds are subject to mandatory sinking fund redemption prior to maturity as provided in the Indenture in each of the years set forth in the Indenture and in the principal amounts set forth in the Indenture, at a Redemption Price equal to one hundred percent (100%) of the principal amount to be redeemed, plus accrued interest (if any) to the redemption date; provided, however, that the amounts of such Sinking Fund Installments shall be reduced by the credits provided for in the Indenture.

Mandatory Redemption Upon Failure to Operate the Facility in Accordance With Applicable Law.

The Series 2005 Bonds are also subject to mandatory redemption prior to maturity, at the option of the Agency, as a whole only, on any Interest Payment Date (subject to sufficient amounts being on deposit to pay the Redemption Price on such Redemption Date), in the event the Agency shall determine that the Institution is not operating the Facility or any portion thereof as a qualified "project" and a "civic facility" under the Act, or is operating the Facility in violation of material applicable law, and the failure of the Institution to cure such noncompliance within the time periods set forth in the Lease Agreement, upon notice or waiver of notice as provided in the Indenture, at the Redemption Price of one hundred percent (100%) of the unpaid principal amount of the Series 2005 Bonds, together with interest accrued thereon to the date of redemption.

Auction Procedures.

While the Bonds bear interest at the Auction Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Auction Period commencing after the ownership of the Auction Rate Bonds is no longer maintained in the book-entry system pursuant to the Indenture; (ii) each Auction Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Auction Period commencing fewer than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in the Indenture.

Orders by Existing Owners and Potential Owners.

Prior to the Submission Deadline on each Auction Date: (i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable

to such Broker-Dealer, information as to: (A) the principal amount of the Auction Rate Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period, (B) the principal amount of the Auction Rate Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or (C) the principal amount of the Auction Rate Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Interest Payment Date without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and (ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Auction Rate Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of the Auction Rate Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner. An Order containing the information referred to in clause (i)(A) above is referred to in the Indenture as a "Hold Order," an Order containing the information referred to in clause (i)(B) or clause (ii) above is referred to in the Indenture as a "Bid", and an Order containing the information referred to in clause (i)(C) above is referred to in the Indenture as a "Sell Order."

A Bid by an Existing Owner shall constitute an irrevocable offer to sell: (i) the principal amount of the Auction Rate Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or (ii) such principal amount or a lesser principal amount of the Auction Rate Bonds to be determined as set forth in the Indenture if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or (iii) a lesser principal amount of the Auction Rate Bonds to be determined as set forth in the Indenture if such specified rate shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist. A Sell Order by an Existing Owner shall constitute an irrevocable offer to sell: (i) the principal amount of the Auction Rate Bonds specified in such Sell Order; or (ii) such principal amount or a lesser principal amount of the Auction Rate Bonds as set forth in the Indenture if Sufficient Clearing Bids do not exist. A Bid by a Potential Owner shall constitute an irrevocable offer to purchase: (i) the principal amount of the Auction Rate Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or (ii) such principal amount or a lesser principal amount of the Auction Rate Bonds as set forth in the Indenture if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

Anything in the Indenture to the contrary notwithstanding: (i) for purposes of any Auction, any Order which specifies the Auction Rate Bonds to be held, purchased or sold in a principal amount which is not \$25,000 (unless there is a lower remaining outstanding principal amount of such Series of Bonds) or an integral multiple thereof shall be rounded down to the

nearest \$25,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount; (ii) for purposes of any Auction, any portion of an Order of an Existing Owner which relates to an Auction Rate Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted; and (iii) for purposes of any Auction, no portion of an Auction Rate Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction.

Submission of Orders by Broker-Dealers to Auction Agent.

Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying with respect to each Order: (i) the name of the Bidder placing such Order; (ii) the aggregate principal amount of the Auction Rate Bonds that are the subject of such Order; (iii) to the extent that such Bidder is an Existing Owner: (A) the principal amount of the Auction Rate Bonds, if any, subject to any Hold Order placed by such Existing Owner; (B) the principal amount of the Auction Rate Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and (C) the principal amount of the Auction Rate Bonds, if any, subject to any Sell Order placed by such Existing Owner; and (iv) to the extent such Bidder is a Potential Owner, the rate specified in such Bid.

If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

If an Order or Orders covering all of the Auction Rate Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Auction Rate Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of the Auction Rate Bonds held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of the Auction Rate Bonds held by such Existing Owner not subject to Orders submitted to the Auction Agent.

If one or more Orders covering in the aggregate more than the principal amount of the Outstanding Auction Rate Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows: (i) all Hold Orders shall be considered Hold Orders, but only up to and including in the aggregate the principal amount of the Auction Rate Bonds held by such Existing Owner; (ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of the Auction Rate Bonds held by such Existing Owner over the principal amount of the

Auction Rate Bonds subject to Hold Orders referred to in paragraph (i) above; (B) subject to clause (A), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of the Auction Rate Securities held by such Existing Owner over the principal amount of the Auction Rate Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above, (C) subject to clause (A), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of the Auction Rate Bonds held by such Existing Owner over the principal amount of the Auction Rate Bonds held by such Existing Owner subject to Hold Orders referred to in paragraph (i) above, and (D) the principal amount, if any, of such Auction Rate Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner; and (iii) all Sell Orders shall be considered Sell Orders, but only up to and including a principal amount of the Auction Rate Bonds equal to the excess of the principal amount of the Auction Rate Bonds held by such Existing Owner over the sum of the principal amount of the Auction Rate Bonds considered to be subject to Hold Orders pursuant to paragraph (i) above and the principal amount of the Auction Rate Bonds considered to be subject to Bids of such Existing Owner pursuant to paragraph (ii) above.

If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of the Auction Rate Bonds specified therein.

The Institution, the Agency, the Trustee and the Auction Agent shall not be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of Auction Rate.

Not later than 9:30 a.m., City of New York time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate and the Auction Rate Index.

Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being referred to in the Indenture as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Trustee and the Institution by telephone (promptly confirmed in writing), telex or facsimile transmission of the Auction Rates for the next succeeding Auction Period.

In the event the Auction Agent shall fail to calculate or, for any reason, shall fail to provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less (other than a daily Auction Period), the new Auction Period shall be the same as the preceding Auction Period and the Auction Rate for the new Auction Period shall be the same as the Auction Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Rate in effect for the preceding Auction Period shall continue in effect for the Auction Period as so extended. In the event the Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended.

In the event of a failed change of Mode to a Daily Mode, a Weekly Mode, an R-FLOATs Mode, a Term Rate Mode or a Fixed Rate Mode, or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a 7-day Auction Period.

Allocation of the Auction Rate Bonds.

In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected in the following order of priority: (i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Rate Bonds that are the subject of such Submitted Hold Order; (ii) the Submitted Sell Order of each Existing Owner shall be accepted and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Auction Rate Bonds that are the subject of such Submitted Sell Order or Submitted Bid; (iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Rate Bonds that are the subject of such Submitted Bid; (iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Auction Rate Bonds that are the subject of such Submitted Bid, subject to sufficient availability of Bonds not being retained by an Existing Owner pursuant to (i) or (iii) above; (v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Rate Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of the Auction Rate Bonds obtained by multiplying (A) the aggregate principal amount of the Outstanding Auction Rate Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii) or (iv) above by (B) a fraction the numerator of which shall be the principal amount of the Outstanding Auction Rate Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of the Outstanding Auction Rate Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any,

of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of the Auction Rate Bonds; (vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Auction Rate Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of the Auction Rate Bonds obtained by multiplying (A) the aggregate principal amount of the Outstanding Auction Rate Bonds which are not the subject of Submitted Hold Orders described in paragraph (i) above or of Submitted Bids described in paragraphs (iii), (iv) or (v) above by (B) a fraction the numerator of which shall be the principal amount of the Outstanding Auction Rate Bonds subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of the Outstanding Auction Rate Bonds subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and (vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority: (i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Rate Bonds that are the subject of such Submitted Hold Order; (ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Auction Rate Bonds that are the subject of such Submitted Bid; (iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Potential Owner to purchase the Auction Rate Bonds that are the subject of such Submitted Bid; (iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of the Auction Rate Bonds obtained by multiplying (A) the aggregate principal amount of the Auction Rate Bonds subject to Submitted Bids described in paragraph (iii) of this paragraph by (B) a fraction the numerator of which shall be the principal amount of the Outstanding Auction Rate Bonds held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of the Outstanding Auction Rate Bonds subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of the Auction Rate Bonds; and (v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Rate shall be rejected.

If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Auction Rate Bonds which is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent shall by lot round up or down the principal amount of the Auction Rate Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of the Auction Rate Bonds purchased or sold by each Existing

Owner or Potential Owner on such Auction Date shall be an integral multiple of \$25,000 (unless there is a lower remaining outstanding principal amount of such Series of Bonds), even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any of the Auction Rate Bonds on such Auction Date.

If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than \$25,000 in principal amount of the Auction Rate Bonds on any Auction Date, the Auction Agent shall by lot allocate the Auction Rate Bonds for purchase among Potential Owners so that the principal amount of Auction Rate Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of \$25,000 (unless there is a lower remaining outstanding principal amount of such Series of Bonds), even if such allocation results in one or more of such Potential Owners not purchasing the Auction Rate Bonds on such Auction Date.

Notice of Auction Rate.

On each Auction Date, the Auction Agent shall notify by telephone each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of: (i) the Auction Rate fixed for the succeeding Auction Period; (ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate; (iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of the Auction Rate Bonds, if any, to be sold by such Existing Owner; (iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of the Auction Rate Bonds, if any, to be purchased by such Potential Owner; (v) if the aggregate principal amount of the Auction Rate Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of the Auction Rate Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of the Auction Rate Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and (vi) the immediately succeeding Auction Date.

On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall: (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order whether such Bid or Sell Order was accepted or rejected, in whole or in part; (ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of the Auction Rate Bonds to be purchased pursuant to such Bid against receipt of such Auction Rate Bonds; (iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the

Securities Depository the principal amount of the Auction Rate Bonds to be sold pursuant to such Bid or Sell Order against payment therefor; (iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate for the next succeeding Auction Period; (v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the Auction Date of the next succeeding Auction; and (vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the Auction Date of the next succeeding Auction.

On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b)(ii) above, and any Auction Rate Bonds received by it pursuant to (b)(iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders, and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a)(v) above.

On the Business Day after the Auction Date, the Securities Depository shall execute the transactions described above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchase and sale of Auction Rate Bonds as determined in the Auction.

Auction Rate Index.

The Auction Rate Index on any Auction Date with respect to the Auction Rate Bonds in any Auction Period of 35 days or less shall be the Seven-Day "AA" Composite Commercial Paper Rate on such date. The Auction Rate Index with respect to the Auction Rate Bonds in an Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period, as last published in The Bond Buyer. If either rate is unavailable, the Auction Rate Index shall be a rate agreed to by all Broker-Dealers and the Institution. "Seven-Day 'AA' Composite Commercial Paper Rate" on any date of determination means the interest equivalent of the seven-day rate on commercial paper placed on behalf of non-financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, its respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealer"), to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination. For purposes of the definition of "Seven-Day 'AA' Composite Commercial Paper Rate," the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security.

If for any reason on any Auction Date, the Auction Rate Index shall not be determined as hereinabove provided in the Indenture, the Auction Rate Index shall be the Auction Rate Index for the Auction Period ending on such Auction Date.

The determination of the Auction Rate Index as provided the Indenture shall be conclusive and binding upon the Agency, the Institution, the Trustee, the Broker-Dealers, the Auction Agent and the Holders and Beneficial Owners (Auction Bonds) of the Auction Rate Bonds.

Miscellaneous Provisions Regarding Auctions.

In the Indenture, each reference to the purchase, sale or holding of "Auction Rate Bonds" shall refer to beneficial interests in the Auction Rate Bonds, unless the context clearly requires otherwise.

During an Auction Period, the provisions of the Indenture may be amended pursuant to terms and provisions of the Indenture.

During an Auction Period, so long as the ownership of the Auction Rate Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a Beneficial Owner may sell, transfer or otherwise dispose of an Auction Rate Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of the Auction Rate Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Holder of such Auction Rate Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of the Indenture if such Broker-Dealer remains the Existing Owner of the Auction Rate Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date.

(a) During any Auction Period, the Institution may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to the Auction Rate Bonds to a period of any integral multiple of 7 days (provided that the length of the first Auction Period after such change in length or a change in Auction Date may be the number of days necessary to result in the immediately following Auction Period having a length which is an integral multiple of seven days) or to a six-month Auction Period or a Special Auction Period in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Auction Rate Bonds. The Institution shall initiate the change in the length of the Auction Period by giving written notice at least 10 Business Days prior to the Auction Date for such Auction Period to the Agency, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period will change if the conditions described in the Indenture are satisfied and the proposed effective date of the change; provided, however, that in the case of a change from a Special Auction Period of

ninety-two (92) or more days, the date of such change shall be the Interest Payment Date immediately following the last day of such Special Auction Period. Any such changed Auction Period shall be for a period of any integral multiple of seven (7) days and shall be for all of the Auction Rate Bonds in an Auction Period. The change in the length of the Auction Period shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this paragraph and the Auction immediately preceding the proposed change. The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Auction Rate Bonds except to the extent such Existing Owner submits an Order with respect to such Auction Rate Bonds. If the condition referred to in the first sentence of this paragraph (iv) is not met, the Auction Rate for the next Auction Period shall be the Maximum Rate, and the Auction Period shall be a 35-day Auction Period;

During any Auction Period, the Auction Agent, with the written consent of the Institution, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Auction Rate Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Institution, the Agency, the Broker-Dealers, the Auction Agent and the Securities Depository.

Auction Agent.

The initial Auction Agent shall be any auction agent or any successor appointed by the Institution to perform the functions specified in the Indenture. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it under the Indenture by a written instrument, delivered to the Agency, the Trustee, the Institution and each Broker-Dealer which will set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Institution and the Trustee.

Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in the Auction Rate Bonds with the same rights as if such entity were not the Auction Agent.

Qualifications of Auction Agent: Resignation; Removal.

The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$30,000,000, or (b) a member of NASD having a capitalization of at least \$30,000,000 and, in either case, authorized by law to perform all of the duties imposed

upon it by the Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 90 days notice to the Agency, the Institution, the Series 2005 Bond Insurer, the Broker-Dealer and the Trustee. The Auction Agent may be removed at any time by the Institution by written notice, delivered to the Auction Agent, the Trustee, the Series 2005 Bond Insurer and the Broker-Dealer. Upon any such resignation or removal, the Institution shall appoint a successor Auction Agent meeting the requirements of the Indenture. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Auction Rate Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties under the Indenture until its successor has been appointed by the Institution. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving 45 days notice to the Agency, the Institution and the Trustee even if a successor Auction Agent has not been appointed.

Conversion.

At the option of the Institution, all or a portion of the Auction Rate Bonds outstanding may be converted to the Daily Mode, Weekly Mode, R-FLOATs Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode on a Conversion Date selected by the Institution; provided that the Institution's right to convert Bonds to another Mode shall terminate on the date of defeasance of Bonds pursuant to the Indenture; and provided further that no conversion shall be effective if the Bonds are not fully remarketed on the applicable mandatory tender date. If on the proposed Conversion Date to the Daily Mode, Weekly Mode, R-FLOATs Mode or Flexible Mode, any Bonds outstanding (other than the Auction Rate Bonds subject to conversion) will already be in the Daily Mode, Weekly Mode, R-FLOATs Mode or Flexible Mode, the conversion from the Auction Rate Mode shall not take effect unless the Trustee shall have received on or prior to the Conversion Date a notice from any rating agency then rating the Bonds, stating that subsequent to such conversion, the rating on the Bonds to be converted from the Auction Rate Mode will be the same as the rating on the other Bonds in the Daily Mode, Weekly Mode, R-FLOATs Mode or Flexible Mode. The Trustee shall give notice of any proposed conversion not fewer than fifteen (15) days (or, if the Bonds are then in a special Auction Period of more than one hundred eighty (180) days, thirty (30) days) before the proposed Conversion Date to the Registered Owner, the Paying Agent, the Auction Agent and the Broker-Dealer. Such notice will state: (i) the title, outstanding principal amount and CUSIP number of the Bonds to be converted to the Daily Mode, Weekly Mode, R-FLOATs Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode; (ii) the proposed Conversion Date; (iii) that all of the Bonds to be converted will be subject to mandatory tender for purchase on the Conversion Date, at a price equal to par plus accrued interest to the Conversion Date; (iv) the consequences of a failed conversion (which shall be as provided in subsection (c) below); (v) the time and address at which the Bonds are to be tendered for purchase; (vi) that the conversion of the Bonds to the Daily Mode, Weekly Mode, R-FLOATs Mode, Flexible Mode, Term Rate Mode or Fixed Rate Mode will not become effective unless the Agency shall have received, no later than one day before the proposed Conversion Date, an opinion of Bond Counsel to the effect that the conversion to the applicable Mode is permitted under the laws of the State and will not adversely affect the exclusion of interest on the Bonds from the gross income of the Registered Owner or the beneficial owners of the Bonds for federal income tax purposes and, on the proposed Conversion Date, a confirmation

of such opinion; and (vii) that after the Conversion Date, the Registered Owner and any beneficial owners shall have no further rights with respect to the Bonds so converted except to receive the purchase price therefor on the Conversion Date, with no interest accruing thereon. Such notice to the Owners shall be made by first class mail or, at the Institution's option, certified mail, return receipt requested. Any notice mailed as provided in the Indenture to the Registered Owner at its address listed in the registration books of the Paying Agent shall be conclusively presumed to have been duly given, whether or not the Registered Owner received the notice, and the failure of the Registered Owner to receive any such notice shall not affect the validity of the action described in such notice. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of Bonds shall be given to DTC only, and none of the Agency, the Institution or the Paying Agent or any other Person shall have any responsibility for the delivery of any of such notices by DTC to any participants of DTC or by any direct or indirect participants of DTC to beneficial owners of the Bonds.

The Remarketing Agent shall determine the Daily, Weekly, R-FLOATs, Flexible, Term or Fixed Rate on a Business Day at least one Business Day prior to the proposed Conversion Date to the Daily, Weekly, Flexible, R-FLOATs, Term Rate or Fixed Rate Mode, as applicable. The Daily, Weekly, R-FLOATs, Flexible, Term Rate or Fixed Rate shall be determined by the Remarketing Agent as described in the Indenture. The Bonds so converted shall be subject to mandatory sinking fund redemption as set forth in the form of Bonds on the date of original delivery, except to the extent set forth in the Indenture, and shall be subject to optional redemption at the times and in the amounts described in the Indenture.

If any of the conditions to conversion of the Bonds from the Auction Rate Mode to another Mode are not met, such conversion shall not take effect and the next succeeding subsequent Auction Rate Period shall be a seven-day Auction Rate Period and the Auction Rate of such Auction Rate Period shall be the Maximum Rate. In no event shall the failure of any Bond to be converted to another Mode be deemed to be a default or an Event of Default under the Indenture.

Deposit of Redemption Price.

Not later than 9:00 A.M., City of New York time, on the second Business Day preceding any date fixed for redemption, the Institution shall deposit with the Trustee an amount of money sufficient to pay the aggregate redemption price of, and accrued and unpaid interest to such date fixed for redemption on, all the Auction Rate Bonds or portions thereof which are to be redeemed on such date fixed for redemption.

Not later than 9:15 A.M., City of New York time, on each date fixed for redemption, the Paying Agent shall notify the Trustee of the payment (or nonpayment, as the case may be) of the amount payable by the Institution as provided in the Indenture. During an Auction Rate Period, so long as no Event of Default with respect to the Auction Rate Bonds has previously occurred and is continuing and the ownership of the Auction Rate Bonds is maintained in book-entry form by the Securities Depository, (i) if the Paying Agent notifies the Trustee of any nonpayment, the Trustee shall immediately send a notice thereof to the Auction Agent and to the registered

owners of the Auction Rate Bonds by telecopy of similar means, and (ii) if all such nonpayments are cured prior to 1:00 P.M., City of New York time, on such date fixed for redemption, the Trustee shall immediately send a notice thereof to the Auction Agent and to the registered owners of the Auction Rate Bonds by telecopy or similar means.

Mandatory Tender for Purchase.

The Auction Rate Bonds shall be subject to mandatory tender for purchase, in accordance with the terms of the Indenture, but only upon the request of the Institution, in whole or from time to time in part, on any Regular Interest Payment Date at a price equal to the principal amount thereof, together with interest accrued and unpaid thereon. The Trustee shall give notice of any Mandatory Tender for Purchase pursuant to the Indenture, not fewer than 30 days prior to such Mandatory Tender Date. In the event that less than all of the Auction Rate Bonds shall be subject to Mandatory Tender for Purchase, the Auction Rate Bonds (or portions of Auction Rate Bonds) to be so purchased shall be selected by the Trustee by lot or in any customary manner of selection as determined by the Trustee, provided that for so long as Cede & Co., as nominee of DTC, is the registered owner, the particular Auction Rate Bonds (or portions thereof) to be purchased shall be selected by DTC, in such manner as DTC may determine, from all Auction Rate Bonds Outstanding. Not later than 9:00 A.M., City of New York time, on the second Business Day preceding any such Mandatory Tender Date, the Institution shall deposit with the Trustee an amount of money sufficient to pay the aggregate tender price, including accrued and unpaid interest to such Mandatory Tender Date, of all the Auction Rate Bonds or portions thereof subject to purchase on such Mandatory Tender Date. During an Auction Rate Period, so long as no Event of Default with respect to the Auction Rate Bonds has previously occurred and is continuing and the ownership of the Auction Rate Bonds is maintained in book-entry form by the Securities Depository, (i) if any nonpayment of the amount payable by the Institution as provided in the preceding sentence occurs, the Trustee shall immediately send a notice thereof to the Auction Agent and to the registered owners of the Auction Rate Bonds by telecopy of similar means, and (ii) if all such nonpayments are cured prior to 1:00 P.M., City of New York time, on such Mandatory Tender Date, the Trustee shall immediately send a notice thereof to the Auction Agent and to the registered owners of the Auction Rate Bonds by telecopy or similar means.

The Bonds shall be subject to mandatory tender for purchase, in accordance with the terms of the Indenture, on a Conversion Date to a Variable Rate Mode at a price equal to the principal amount thereof.

The Bonds shall be subject to Mandatory Tender for Purchase, in accordance with the terms of the Indenture, on the Fixed Rate Conversion Date at a price equal to the principal amount.

The registered owners of Bonds shall be required to tender the Bonds to the Tender Agent on any Mandatory Tender Date. If any such registered owner fails to properly deliver any Bonds on any Mandatory Tender Date, such Bonds shall be deemed to have been properly tendered to the Tender Agent and, to the extent that there shall be on deposit with the Tender Agent on such Mandatory Tender Date an amount sufficient to pay the principal amount thereof, no interest shall accrue on such Bonds from and after the Mandatory Tender Date and such

registered owner of Bonds shall have no rights under the Indenture thereafter as the owner of such Bonds, except the right to receive the purchase price of such Bonds as provided in the Indenture.

Payment of Purchase Price.

On each Mandatory Tender Date, the Bonds tendered or deemed tendered to the Tender Agent for purchase shall be purchased by the Tender Agent with funds received by the Tender Agent under the Indenture for the purchase price thereof. Funds for the payment of the purchase price shall be paid by the Tender Agent solely from sources in accordance with the Indenture. The purchase price shall be payable by wire transfer upon delivery of the Bonds subject to optional or mandatory tender for purchase to the Tender Agent; provided that the Tender Agent shall have been provided with wire transfer instructions.

If the ownership of the Bonds is no longer maintained in book-entry form by the Securities Depository, Bonds delivered for payment of the purchase price shall be accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent executed in blank by the owner thereof and with all signatures guaranteed by a bank, trust company or member firm of The New York Stock Exchange, Inc. The Tender Agent may refuse to accept delivery of any Bonds for which an instrument of transfer satisfactory to it has not been provided and shall have no obligation to pay the purchase price of such Bonds until a satisfactory instrument is delivered.

Delivery of Purchased Bonds.

Bonds purchased pursuant to the Indenture shall be delivered as follows: (i) Auction Rate Bonds purchased pursuant to the Indenture shall be delivered to or held by the Trustee for the account of the Institution; (ii) Bonds purchased or to be purchased with proceeds of a remarketing as provided in the Indenture shall be delivered to the investment bank or banks party thereto; (iii) Bonds purchased by the Institution shall, at the direction of the Institution, be (A) delivered to or held by the Tender Agent for the account of the Institution, (B) delivered to the Trustee for cancellation or (C) delivered to the Institution.

If, on any date prior to the release of Bonds held by or for the account of the Institution pursuant to the Indenture, all Bonds are called for redemption or an acceleration of the Bonds occurs, such Bonds shall be deemed to have been paid and shall thereupon be cancelled by the Trustee.

Application of Proceeds of Series 2005 Bonds.

Upon the receipt by the Trustee of the original proceeds of the sale and delivery of the Series 2005 Bonds, the Trustee shall transfer and deposit amounts, in accordance with Article V of the Indenture, to: (i) the Series 2005 Bond Insurer as the insurance premium for the Series 2005 Bond Insurance Policy; (ii) the Series 1994 Account of the Escrow Fund established under the Escrow Agreement for the payment of the redemption price of the Series 1994 Bonds on the Prior Bonds Redemption Date; (iii) the 1991 Letter of Credit Account of the Escrow Fund established under the Escrow Agreement; (iv) the 1989 Letter of Credit Account of the Escrow

Fund established under the Escrow Agreement; (v) the Interest Account of the Bond Fund; (vi) the Costs of Issuance Account of the Project Fund; (vii) deposit the remaining proceeds of the Series 2005 Bonds into the Construction Account of the Project Fund.

Creation of Funds and Accounts.

The Agency establishes and creates, under the Indenture, the following special trust Funds and Accounts comprising such Funds: (1) Project Fund (a) Costs of Issuance Account and (b) Construction Account, (2) Bond Fund (a) Principal Account, (b) Interest Account, (c) Redemption Account, and (d) Sinking Fund Installment Account, (3) Earnings Fund, (4) Rebate Fund, (5) Purchase Fund (a) Liquidity Facility Deposit Account, (b) Remarketing Proceeds Account (c) Institution Purchase Account.

The amounts deposited in the Funds and Accounts created under the Indenture shall be subject to a security interest, lien and charge in favor of the Trustee in trust for the benefit of the Bondholders and, to the extent provided in the Indenture, the Agency and the Institution to the extent permitted by law, until disbursed as provided in the Indenture, and while held by the Trustee shall constitute part of the Trust Estate and shall be subject to the lien of the Indenture (other than the Purchase Fund and the Rebate Fund), all as provided in the Indenture.

Project Fund.

There shall be deposited in the respective Accounts of the Project Fund any and all amounts required to be deposited therein pursuant to the Indenture. The Trustee shall apply the amounts on deposit in the Accounts of the Project Fund to the payment, or reimbursement to the extent the same have been paid by or on behalf of the Institution or the Agency, of Project Costs, as provided in the Indenture.

Payments into Bond Fund.

The Trustee shall promptly deposit the following receipts into the Bond Fund: (i) the interest accruing on any Series of Bonds from the date of original issuance thereof to the date of delivery, if any, which shall be credited to the Interest Account of the Bond Fund and applied to the payment of interest on such Series of Bonds; (ii) amounts disbursed from the Project Fund for the payment of interest on the Bonds during the period of construction of the Project, which shall be credited to the Interest Account of the Bond Fund and applied to the payment of interest on the Bonds; (iii) excess or remaining amounts in the Project Fund required to be deposited; (iv) rental payments received by the Trustee pursuant to the Lease Agreement, which shall be deposited in and credited, to the extent necessary, first to the Interest Account, second to the Principal Account, and third to the Sinking Fund Installment Account of the Bond Fund; (v) advance rental payments received by the Trustee pursuant to the Lease Agreement, which shall be deposited in and credited to the Redemption Account of the Bond Fund; (vi) any amounts transferred from the Earnings Fund pursuant to the Indenture, which shall be deposited in and credited to the Interest Account of the Bond Fund; (vii) the excess amounts referred to in Article VI of the Indenture, which shall be deposited in and credited to the Interest Account of the Bond Fund; (viii) any amounts transferred from the Redemption Account pursuant to the Indenture,

which shall be deposited to the Interest Account, the Principal Account and the Sinking Fund Installment Account of the Bond Fund, as the case may be and in such order of priority, and applied solely to such purposes and (ix) all other receipts when and if required by the Lease Agreement or by the Indenture or by any other Security Document to be paid into the Bond Fund, which shall be credited (except as provided in the Indenture) to the Redemption Account of the Bond Fund.

Payments into Purchase Fund; Application of Purchase Fund.

Upon receipt of the proceeds of a remarketing of a Bond on the date such bond is to be purchased, the Tender Agent shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of such Bond. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Liquidity Provider Bonds, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider to the extent of any amount owing to the Liquidity Provider.

Upon receipt from the Trustee of the immediately available funds transferred to the Tender Agent pursuant to the Indenture, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account for application to the Purchase Price of the Bonds to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to the Purchase Price for any Bonds shall be immediately returned to the Liquidity Provider.

Upon receipt of Funds from the Institution pursuant to the Indenture, the Tender Agent shall deposit such Funds in the Institution Purchase Account for application to the Purchase Price of the Bonds. Any amounts deposited in the Institution Purchase Account and not needed with respect to the Purchase Price for any Bonds shall be immediately refunded to the Institution.

Amounts held in the Liquidity Facility Purchase Account, the Remarketing Proceeds Account and the Institution Purchase Account by the Tender Agent shall be held uninvested and separate and apart from all other funds and accounts.

Earnings Fund and Rebate Fund.

There shall be credited to the Earnings Fund all amounts required to be credited thereto from interest earnings or net gain on disposition of investments pursuant to Article V of the Indenture including all earnings on the Project Fund.

In the event that the amount on deposit in the Rebate Fund exceeds the Rebate Amount as determined in accordance with the Tax Compliance Agreement, the Trustee, upon the receipt of written instructions from an Authorized Representative of the Institution, shall withdraw such excess amount and deposit it in the Construction Account of the Project Fund until the completion of the Project, or, after the completion date of the Project, deposit it in the Interest Account of the Bond Fund.

Any amounts on deposit in the Earnings Fund following the transfers to the Rebate Fund required by the Indenture shall be deposited to the Construction Account of the Project Fund

prior to the completion date of the Project, and to the Interest Account of the Bond Fund subsequent to the completion date of the Project.

Investment of Funds and Accounts.

Amounts in the Rebate Fund, the Earnings Fund, the Bond Fund and the Project Fund may, if and to the extent then permitted by law, be invested only in Qualified Investments; provided, that, moneys derived from any Credit Enhancement, any Liquidity Facility or the remarketing of Bonds (including any amounts held in the Purchase Fund) shall be invested only in Government Obligations. Any investment authorized under the Indenture is subject to the condition that no portion of the proceeds derived from the sale of the Bonds shall be used, directly or indirectly, in such manner as to cause any Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. Any investment under the Indenture shall be made in accordance with the Tax Compliance Agreement, and the Institution shall so certify to the Trustee with each such investment direction as referred to in the Indenture.

Repayment to the Institution from the Funds.

After payment in full of the Bonds (in accordance with the Indenture) and the payment of all fees, charges and expenses of the Agency, the Trustee, the Bond Registrar, the Tender Agent, the Remarketing Agent, the Auction Agent, the Broker-Dealer, the Series 2005 Bond Insurer, the Liquidity Provider and the Paying Agents and all other amounts required to be paid under the Indenture and under each of the Security Documents, and the payment of any amounts which the Trustee is directed to rebate to the Federal government pursuant to the Indenture and the Tax Compliance Agreement, shall have been paid in full, all amounts remaining in the Project Fund, the Bond Fund or the Earnings Fund shall be paid to the Institution upon the expiration or sooner or later termination of the term of the Lease Agreement as provided in the Lease Agreement.

Agency's Obligations Not to Create A Pecuniary Liability.

Each and every covenant made under the Indenture is predicated upon the condition that any obligation for the payment of money incurred by the Agency shall not create a debt of the State or the City and neither the State nor the City shall be liable on any obligation so incurred, and the Bonds shall not be payable out of any funds of the Agency other than those pledged therefor but shall be payable by the Agency solely from the rental payments, revenues and receipts derived from or in connection with the Facility pledged to the payment thereof in the manner and to the extent in the Indenture specified and nothing in the Bonds, in the Lease Agreement, in the Indenture or in any other Security Document shall be considered as pledging any other funds or assets of the Agency.

Payment of Principal and Interest.

The Agency covenants that it will from the sources contemplated in the Indenture promptly pay or cause to be paid the principal of, Purchase Price, Sinking Fund Installments for, and interest on the Bonds, and the Redemption Price, if any, together with interest accrued thereon to the date of redemption, at the place, on the dates and in the manner provided in the Indenture and in the Bonds according to the true intent and meaning thereof. All covenants,

stipulations, promises, agreements and obligations of the Agency contained in the Indenture shall be deemed to be covenants, stipulations, promises, agreements and obligations of the Agency and not of any member, officer, director, employee or agent thereof in his individual capacity, and no resort shall be had for the payment of the principal of, Purchase Price, Sinking Fund Installments for, redemption premium, if any, or interest on the Bonds or the Redemption Price, if any, together with interest accrued thereon to the date of redemption or for any claim based thereon or under the Indenture against any such member, officer, director, employee or agent or against any natural person executing the Bonds.

Performance of Covenants; Authority.

The Agency covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture, in any and every Bond executed, authenticated and delivered under the Indenture and in all proceedings pertaining thereto. The Agency covenants that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds authorized by the Indenture and to execute the Indenture, to lease the Facility from the Institution pursuant to the Company Lease and to sell its leasehold interest under the Company Lease in the Facility to the Institution pursuant to the Lease Agreement, to assign the Lease Agreement and to pledge the rental payments, revenues and receipts pledged by the Indenture in the manner and to the extent set forth in the Indenture; that all action on its part for the issuance of the Bonds and the execution and delivery of the Indenture has been duly and effectively taken; and that the Bonds in the hands of the Holders thereof are and will be the valid and enforceable special obligations of the Agency according to the import thereof.

Rights of the Series 2005 Bond Insurer.

The Agency and the Trustee agree under the Indenture for the benefit of the Series 2005 Bond Insurer, that, among other things, t: (i) to the extent the Series 2005 Bond Insurer makes payments under the Series 2005 Bond Insurance Policy on account of the principal or Redemption Price of, Sinking Fund Installments for, or interest on Series 2005 Bonds, the Series 2005 Bond Insurer will be subrogated to the rights of the Holders of the Series 2005 Bonds to receive the amount so paid, solely from the sources provided therefor in the Indenture, (ii) to the extent that the principal of, Sinking Fund Installments for, or interest on the Series 2005 Bonds shall be paid by the Series 2005 Bond Insurer pursuant to the Series 2005 Bond Insurance Policy, that portion of the Series 2005 Bonds so paid shall remain Outstanding for all purposes and not be considered defeased or otherwise satisfied and paid, and the Series 2005 Bond Insurer shall be deemed to be the Holder of the Series 2005 Bonds to the extent so paid, (iii) if the Series 2005 Bond Insurance Policy shall no longer be in effect, and all amounts owed to the Series 2005 Bond Insurer shall have been paid in full, all approvals, directions or consents of the Series 2005 Bond Insurer required under the Security Documents shall instead be delivered by the Holders of a majority in aggregate principal amount of the Series 2005 Bonds Outstanding, (iv) notwithstanding any other provision of the Indenture, the Trustee shall immediately notify the Series 2005 Bond Insurer if at any time there are insufficient moneys to make any payments of principal, Sinking Fund Installments and/or interest as required and immediately upon the occurrence of any Event of Default under the Indenture.

Events of Default; Acceleration of Due Date.

Each of the following events is defined, under the Indenture, as and shall constitute an "Event of Default": (1) Failure to duly and punctually pay the interest on any Bond when the same shall become due and payable; (2) Failure to duly and punctually pay the principal or redemption premium, if any, of, or Sinking Fund Installment for, any Bonds, when the same shall become due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or otherwise, or interest accrued thereon to the date of redemption after notice of redemption therefor or otherwise; (3) Failure to duly and punctually pay the Purchase Price of any Bond tendered or deemed tendered for purchase pursuant to Article II of the Indenture; (4) Failure of the Agency to observe or perform any covenant, condition or agreement in the Bonds or under the Indenture on its part to be performed (except as set forth in the Indenture) and (A) continuance of such failure for a period of thirty (30) days after receipt by the Agency and the Institution of written notice specifying the nature of such default from the Trustee or the Holders of more than twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding, or (B) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Agency or the Institution fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; or (5) The occurrence of an "Event of Default" under the Lease Agreement, the Mortgage, the Pledge and Security Agreement or any other Security Document.

Upon the happening and continuance of any Event of Default specified in in the Indenture, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the Agency, any Credit Provider and the Institution) or the Holders of over twenty-five percentum (25%) in aggregate principal amount of the Bonds then Outstanding (by notice in writing to the Agency, the Institution, any Credit Provider and the Trustee) may declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything in the Indenture or in any of the Bonds contained to the contrary notwithstanding.

Enforcement of Remedies.

Upon the occurrence and continuance of any Event of Default, then and in every case the Trustee may proceed, and upon the written request of the Holders of over twenty-five per centum (25%) in aggregate principal amount of the Bonds Outstanding shall proceed, to protect and enforce its rights and the rights of the Bondholders under the Act, the Bonds, the Lease Agreement, the Indenture and under any other Security Document forthwith by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, whether for the specific performance of any covenant or agreement contained in the Indenture or in any other Security Document or in aid of the execution of any power granted in the Indenture or in any other Security Document or in the Act or for the enforcement of any legal or equitable rights or remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights or to perform any of its duties under the Indenture or under any other Security Document. In addition to any rights or

remedies available to the Trustee under the Indenture or elsewhere, upon the occurrence and continuance of an Event of Default the Trustee may take such action, without notice or demand, as it deems advisable, to the extent permitted by law.

Application of Revenues and Other Moneys After Default.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of Article VIII of the Indenture or under any other Security Document shall, after payment of the cost and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, be deposited in the Bond Fund and all moneys so deposited and available for payment of the Bonds shall be applied in accordance with the Indenture.

Individual Bondholder Action Restricted.

No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provisions of the Indenture or of any other Security Document or the execution of any trust under the Indenture or for any remedy under the Indenture or under any other Security Document, unless as otherwise permitted under the Indenture.

Remedies Not Exclusive.

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee or to the Holders of the Bonds is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Notice of Default.

The Trustee shall promptly mail to registered Holders of Bonds and to the other Notice Parties by registered or certified mail, postage prepaid, return receipt requested, written notice of the occurrence of any Event of Default.

Waivers of Default.

The Trustee shall waive any default under the Indenture and its consequences and rescind any declaration of acceleration only upon the written request of the Holders of at least 66-2/3% in aggregate principal amount of all the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Holders of all the Bonds Outstanding (a) any default in the payment of the principal of any Outstanding Bonds at the date specified therein or (b) any default in the payment when due of the interest on any such Bonds, unless, prior to such waiver, all arrears of interest, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such default shall have occurred, and all arrears of payment of principal when due, as the case may be, and all expenses

of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then and in every such case the Agency, the Trustee and the Bondholders shall be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Defeasance.

If the Agency shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, of, Sinking Fund Installments for, interest and all other amounts due or to become due thereon or in respect thereof, at the times and in the manner stipulated therein and in the Indenture, and all fees and expenses and other amounts due and payable under the Indenture, the Lease Agreement and the other Security Documents shall be paid in full, and all rebate amounts owed under the Tax Compliance Agreement are paid in full, and all amounts due or to become due to any Credit Provider or any Liquidity Provider, then the pledge of any rental payments, revenues or receipts from or in connection with the Security Documents or the Facility under the Indenture and the estate and rights granted under the Indenture, and all covenants, agreements and other obligations of the Agency to the Bondholders under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied and the Bonds shall thereupon cease to be entitled to any lien, benefit or security under the Indenture, except as to moneys or securities held by the Trustee or the Paying Agents as provided in the Indenture.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Series 2005 Bonds shall be paid by the Series 2005 Bond Insurer pursuant to the Series 2005 Bond Insurance Policy, the Series 2005 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Institution to the registered owners shall continue to exist and shall run to the benefit of the Series 2005 Bond Insurer, and the Series 2005 Bond Insurer shall be subrogated to the rights of such registered owners.

Supplemental Indentures Without Bondholders' Consent.

The Agency and the Trustee may, from time to time and at any time, enter into Supplemental Indentures without consent of the Bondholders in accordance with the Indenture.

Supplemental Indentures With Bondholders' Consent.

Subject to the terms and provisions contained in Article XII of the Indenture, the Holders of not less than sixty-six and two-thirds percent ($66\frac{2}{3}\%$) in aggregate principal amount of the Bonds then Outstanding, or the Series 2005 Bond Insurer, so long as no Series 2005 Bond Insurer Disqualification Event has occurred, without the consent of the Holders of not less than sixty-six and two-thirds percent ($66\frac{2}{3}\%$) in aggregate principal amount of the Bonds then

Outstanding, shall have the right from time to time to consent to and approve the entering into by the Agency and the Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the Agency for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture.

Amendments of Related Security Documents Not Requiring Consent of Bondholders.

The Agency and the Trustee may, without the consent of or notice to the Bondholders, consent to any amendment, change or modification of any of the Related Security Documents for certain purposes as described in the Indenture. Before the Agency or the Trustee shall enter into or consent to any amendment, change or modification to any of the Related Security Documents, there shall be filed with the Trustee an opinion of Bond Counsel to the effect that such amendment, change or modification will not adversely affect the exclusion from federal income taxation of interest on any Series of Bonds Outstanding.

Amendments of Related Security Documents Requiring Consent of Bondholders.

Except as provided in the Indenture, the Agency and the Trustee shall not consent to any amendment, change or modification of any of the Related Security Documents, without mailing of notice and the written approval or consent of the Holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds at the time Outstanding given, or the Series 2005 Bond Insurer, without the written approval or consent of the Holders of not less than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of the Bonds at the time Outstanding, given and procured in accordance with the Indenture; *provided, however,* there shall be no amendment, change or modification to (i) the obligation of the Institution to make rental payments under the Lease Agreement with respect to the Bonds or the obligation of the Institution to guarantee payment of the Bonds pursuant to the Guaranty Agreement, without in each case the prior written approval of the Holders of one hundred percent (100%) in aggregate principal amount of the Bonds at the time Outstanding together with the written consent of the Series 2005 Bond Insurer; or (ii) the Tax Compliance Agreement without the delivery of an opinion of Bond Counsel addressed to the Agency and the Trustee to the effect that such amendment, change, modification, reduction or postponement will not cause the interest on any Series of Bonds to become includable in gross income for Federal income tax purposes.

LEASE AGREEMENT

The following description of certain provisions of the Lease Agreement is only a brief outline of some of the provisions thereof, and does not purport to summarize or describe all of the provisions thereof. Reference is made to the Lease Agreement for details of the provisions thereof.

All terms not otherwise defined below shall have the meaning given to such terms in Appendix C attached to this Official Statement.

Completion by Institution.

In the event that moneys in the Project Fund are not sufficient to pay the costs necessary to complete the Project in full, the Institution shall pay that portion of such costs of the Project as may be in excess of the moneys therefor in said Project Fund and shall not be entitled to any reimbursement therefor from the Agency, the Trustee or the Holders of any of the Bonds (except from the proceeds of Additional Bonds which may be issued for that purpose), nor shall the Institution be entitled to any diminution of the rental payments payable or other payments to be made under the Lease Agreement.

Leasing of the Facility.

Pursuant to the Company Lease, the Institution has leased the Facility to the Agency. In consideration of the Institution's covenant to make rental payments under the Lease Agreement, and in consideration of the other covenants to make all other payments required by the Lease Agreement, the Agency agrees under the Lease Agreement to lease to the Institution and the Institution agrees under the Lease Agreement to lease from the Agency, the Agency's interest in the Facility. The Institution shall at all times during the term of the Lease Agreement occupy, use and operate the Facility, or cause the Facility to be occupied, used and operated, as a civic facility in accordance with the provisions of the Act and for the general purposes specified in the Lease Agreement.

It is the intention of the Agency and the Institution under the Lease Agreement that the lease by the Agency under the Lease Agreement of its interest in the Facility shall not result in a merger of the leasehold estates and interests of the Institution and the Agency under the Company Lease so as to effect a termination or any other impairment of the Company Lease; and until the termination of the Company Lease in accordance with its terms or the expiration of the Lease Agreement, the Company Lease shall continue in full force and effect to the same extent as if the Agency had not sold its leasehold interest in the Facility to the Institution pursuant to the Lease Agreement.

Payment Provisions; Pledge of Agreement and Rental Payments.

The Institution covenants to make rental payments for and in respect of the leasing by the Agency to the Institution of the Agency's interest in the Facility pursuant to the Lease Agreement, which the Agency agrees shall be paid by the Institution directly to the Trustee on each Rental Payment Date for deposit in the Bond Fund in an amount equal to the sum of (i) with

respect to interest due and payable on the Bonds, an amount equal to the interest next becoming due and payable on the Bonds on the immediately succeeding Interest Payment Date (less any amount available in the Project Fund for transfer to the Interest Account of the Bond Fund), (ii) the principal amount of the Bonds then Outstanding which will become due on the immediately succeeding Interest Payment Date (whether at maturity or by redemption or acceleration as provided in the Indenture), (iii) the Sinking Fund Installments which will become due on the Bonds on the immediately succeeding Interest Payment Date, and (iv) the principal of and redemption premium, if any, on the Bonds to be redeemed which will become due on the immediately succeeding redemption date together with accrued interest to the date of redemption.

At its option, to be exercised on or before the forty-fifth (45th) day next preceding the date any Bonds of a Series are to be redeemed from mandatory Sinking Fund Installments, the Institution may deliver to the Trustee Bonds of such Series which are subject to mandatory Sinking Fund Installment redemption in an aggregate principal amount not in excess of the principal amount of Bonds of such Series to be so redeemed on such date. Each such Bond so delivered shall be credited by the Trustee at one hundred percent (100%) of the principal amount thereof against the obligation of the Agency on such Sinking Fund Installment payment date and any excess over such Sinking Fund Installment shall be credited on future Sinking Fund Installments in accordance with the Lease Agreement.

Obligation of Institution Unconditional.

The obligation of the Institution to pay the rental payments and all other payments provided for in the Lease Agreement and to maintain the Facility in accordance with the Lease Agreement shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim or deduction and without any rights of suspension, deferment, diminution or reduction it might otherwise have against the Agency, the Trustee or the Holder of any Bond and the obligation of the Institution shall arise whether or not the Project has been completed as provided in the Lease Agreement.

Maintenance, Alterations and Improvements.

During the term of the Lease Agreement, the Institution will keep the Facility in good and safe operating order and condition, ordinary wear and tear excepted, will occupy, use and operate the Facility in the manner for which it was designed and intended and contemplated by the Lease Agreement, and will make all replacements, renewals and repairs thereto (whether ordinary or extraordinary, structural or nonstructural, foreseen or unforeseen) reasonably necessary to ensure that the security for the Bonds shall not be materially impaired.

The Institution shall not create, permit or suffer to exist any mortgage, encumbrance, lien, security interest, claim or charge against the Facility or any part thereof, or the interest of the Institution in the Facility, the Company Lease or the Lease Agreement except for Permitted Encumbrances.

Taxes, Assessments and Charges.

The Institution shall pay when the same shall become due all taxes (except to the extent that the Institution shall have made payments in lieu in respect thereof as provided in the Lease Agreement) and assessments, general and specific, if any, levied and assessed upon or against the Facility, the Company Lease, the Lease Agreement, any estate or interest of the Agency or the Institution in the Facility, or the rental payments under the Lease Agreement during the term of the Lease Agreement and all water and sewer charges, special district charges, assessments and other governmental charges and impositions whatsoever, foreseen or unforeseen, ordinary or extraordinary, under any present or future law, and charges for public or private utilities or other charges incurred in the occupancy, use, operation, maintenance or upkeep of the Facility.

Insurance.

At all times throughout the term of the Lease Agreement, including without limitation during any period of construction or renovation of the Facility, the Institution shall maintain insurance with insurance companies licensed to do business in the State, against such risks, loss, damage and liability (including liability to third parties) and for such amounts as are customarily insured against by other enterprises of like size and type as that of the Institution. In addition to this general requirement, such insurance shall include, in accordance with the Lease Agreement, owners & contractors protective liability insurance, general liability insurance, workers' compensation insurance and disability benefits insurance and automobile liability insurance.

Damage, Destruction and Condemnation.

In the event that at any time during the term of the Lease Agreement, the whole or part of the Facility shall be damaged or destroyed, or the whole or any part of the Facility shall be taken or condemned by a competent authority for any public use or purpose, or by agreement between the Agency and those authorized to exercise such right, or if the temporary use of the Facility or any part thereof shall be so taken by condemnation or agreement (a "Loss Event"): (i) the Agency shall have no obligation to rebuild, replace, repair or restore the Facility, (ii) there shall be no abatement, postponement or reduction in the rental payments or other amounts payable by the Institution under the Lease Agreement, and (iii) the Institution will promptly give written notice of such Loss Event to the Agency and the Trustee, generally describing the nature and extent thereof.

Upon the occurrence of a Loss Event, any Net Proceeds derived therefrom shall be paid to the Institution and the Institution shall either: (i) at its own cost and expense (except to the extent paid from the Net Proceeds deposited in the Renewal Fund as provided in the Lease Agreement and in the Indenture), promptly and diligently rebuild, replace, repair or restore the Facility to substantially its condition immediately prior to the Loss Event, or to a condition of at least equivalent value, operating efficiency and function, regardless of whether or not the Net Proceeds derived from the Loss Event shall be sufficient to pay the cost thereof, and the Institution shall not by reason of payment of any such excess costs be entitled to any reimbursement from the Agency, the Trustee or any Bondholder, nor shall the rental payments or other amounts payable by the Institution under the Lease Agreement be abated, postponed or

reduced, or (ii) if, to the extent and upon the conditions permitted to do so under the Lease Agreement and under the Indenture, exercise its option to purchase the Facility and make advance rental payments to redeem the Bonds in whole and terminate the Agency's interest in the Facility; provided, however, that any Net Proceeds derived from a Loss Event affecting the Mortgaged Premises shall be paid to the Trustee and deposited in the Renewal Fund and the Institution shall elect to comply with either clause (i) or clause (ii) above.

Notwithstanding the foregoing, if all or substantially all of the Facility shall be taken or condemned, or if the taking or condemnation renders the Facility unsuitable for use by the Institution as contemplated by the Lease Agreement, the Institution shall exercise its option to terminate the Lease Agreement pursuant to the Lease Agreement, and the amount of the Net Proceeds so recovered shall be transferred from the Renewal Fund and deposited in the Redemption Account of the Bond Fund, and the Institution shall thereupon pay to the Trustee for deposit in the Redemption Account of the Bond Fund an amount which, when added to any amounts then in the Bond Fund and available for that purpose, shall be sufficient to retire and redeem the Bonds in whole at the earliest possible date (including, without limitation, principal and interest to the maturity or redemption date and redemption premium, if any), and to pay the expenses of redemption, the fees and expenses of the Agency, the Bond Registrar, the Trustee and the Paying Agents, together with all other amounts due under the Indenture and under the Lease Agreement, and such amount shall be applied, together with such other available moneys in such Bond Fund, if applicable, to such redemption or retirement of the Bonds on said redemption or maturity date.

The Institution shall be entitled to any insurance proceeds or condemnation award, compensation or damages attributable to improvements, machinery, equipment or other property installed on or about the Facility but which, at the time of such damage or taking, is not part of the Facility nor subject to the Mortgage, if applicable, and is owned by the Institution.

Restrictions on Institution.

The Institution agrees that at all times during the term of the Lease Agreement it will (i) maintain its existence, (ii) continue to be a not-for-profit corporation and a Tax-Exempt Organization subject to service of process in the State and either organized under the laws of the State, or organized under the laws of any other state of the United States and duly qualified to do business in the State, (iii) not, unless otherwise permitted by the terms of the Lease Agreement, sell, transfer, pledge or otherwise encumber all or substantially all of the assets which constitute the Facility; and (iv) not, unless otherwise permitted by the terms of the Lease Agreement, liquidate, wind-up or dissolve or otherwise dispose of all or substantially all of its property, business or assets remaining after the execution and delivery of the Lease Agreement.

Indemnity.

The Institution shall at all times protect and hold the Agency, the Trustee, the Bond Registrar, the Paying Agents and the Bondholders, and any director, member, officer, employee, servant or agent (excluding for this purpose the Institution, which is not obligated by the Lease Agreement to indemnify its own employees, Affiliates or affiliate individuals) of any of such

Persons and persons under the control or supervision of any of such Persons (collectively, the "Indemnified Parties") harmless of, from and against any and all claims (whether in tort, contract or otherwise), taxes (of any kind and by whomsoever imposed), demands, penalties, fines, liabilities, lawsuits, actions, proceedings, settlements, costs and expenses (collectively, "Claims") of any kind for losses, damage, injury and liability (collectively, "Liability") of every kind and nature and however caused (except, with respect to any Indemnified Party, Liability arising from the gross negligence or willful misconduct of such Indemnified Party), arising during the period commencing from November 15, 2005, the date the Agency adopted the inducement resolution for the Project, and continuing throughout the term of the Lease Agreement and for the relevant statute of limitations thereafter for any Claim arising during such term (subject to the Lease Agreement), arising upon or about the Facility or resulting from, arising out of, or in any way connected with the events described in the Lease Agreement.

Retention of Leasehold in Facility; Grant of Easements; Release of Certain LandThe Agency shall not sell, assign, encumber (other than Permitted Encumbrances), convey or otherwise dispose of its interest in the Facility or any part thereof or interest therein during the term of the Lease Agreement, except as set forth in the Lease Agreement.

Notwithstanding any other provision of the Lease Agreement, so long as no Event of Default under the Lease Agreement has occurred and is continuing, the Institution may, with the consent of the Bond Insurer, from time to time request in writing to the Agency the release of and removal from the Lease Agreement and the Company Lease and the leasehold estate created thereby and, with respect to the Mortgaged Premises, the release from the lien of the Mortgage of any unimproved part of the Facility (on which none of the improvements, including the buildings, structures, improvements, related facilities, major appurtenances, fixtures or other property comprising the Facility are situated) provided that such release and removal will not adversely affect the use or operation of the Facility.

No conveyance or release effected under the provisions of the Lease Agreement shall entitle the Institution to any abatement or diminution of the rental payments payable under the Lease Agreement or the other payments required to be made by the Institution under the Lease Agreement.

Financial Statements; No-Default Certificates; Other Information.

The Institution agrees to furnish to the Bond Insurer, together with any other information reasonably requested in writing by the Bond Insurer, the annual reports of the Institution and any annual audited financial statements of the Institution as soon as practicable after such information becomes available to the Institution. The Institution shall promptly notify the Agency and the Trustee of the occurrence of any Event of Default or any event which with notice and/or lapse of time would constitute an Event of Default under any Security Document of which it has knowledge.

Other Financial Covenants.

Commencing with the Fiscal Year beginning on June 1, 2006, the Institution shall maintain a Debt Service Coverage Ratio at the end of each Fiscal Year of at least 1.25:1 (the "Debt Service Coverage Ratio Covenant"). Evidence of compliance with this covenant shall be provided in accordance with the Lease Agreement. A violation of this covenant shall constitute an Event of Default under the Lease Agreement only if the Institution fails to provide the evidence of such violation in accordance with the Lease Agreement.

So long as no Event of Default or event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default under the Lease Agreement or any other Project Document or Security Document shall have occurred and be continuing, the Institution shall not incur Indebtedness, except as shall be permitted in accordance with the Lease Agreement.

The Institution shall not create, incur, assume or permit to exist any Lien on its Property except for Permitted Encumbrances and will not transfer or dispose of its Property except as otherwise permitted by the terms of the Lease Agreement, provided, however, such negative lien shall not apply to the Parking Lot. The Institution shall not move or relocate any portion of its testing and operations conducted at the Facility to the Connecticut Facility without first (A) obtaining the written consent of the Bond Insurer and (B) providing the Trustee with a first priority mortgage lien on and security interest in the Connecticut Facility.

Except as permitted under the Lease Agreement, the Institution may not dispose of any of its assets.

Annually within 30 days after receipt by the Institution of its audited financial statements, the Institution shall provide a certificate of the Institution Representative to the Trustee, certifying that the Institution is in compliance with the Liquidity Test as of the end of the immediately preceding Fiscal Year.

Permitted Indebtedness. So long as no Event of Default or event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default under the Lease Agreement or any other Project Document or Security Document shall have occurred and be continuing, the Institution shall not incur Indebtedness, except as shall be permitted as follows and except that no such Indebtedness shall be secured on a basis senior to the security for the Series 2005 Bonds:

(i) Long-Term Indebtedness or Interim Indebtedness; provided that the Institution shall concurrently with the incurrence thereof, have delivered to the Trustee and Bond Insurer a certificate of an Authorized Representative of the Institution to the effect that the Transaction Test has been met;

(ii) Completion Indebtedness; provided, that there is delivered to the Trustee and the Bond Insurer a certificate of an independent architect stating that the remaining proceeds of existing Indebtedness along with such Completion Indebtedness to be issued,

are projected to be sufficient, along with other funds available or projected to be available therefor, to complete the project;

(iii) Refunding Indebtedness; provided that a certificate or certificates of an Authorized Representative of the Institution is delivered to the Trustee and the Bond Insurer to the effect that, at the time of issuance of such Refunding Indebtedness and after giving effect thereto and to the application of proceeds thereof, the aggregate maximum annual principal and interest payments of the Institution for any succeeding Fiscal Year (determined in the same manner as if a calculation of the Debt Service Coverage Ratio were being made) on all Long-Term Indebtedness then to be outstanding is not increased by more than 10% of the aggregate maximum annual principal and interest payments of the Institution for any succeeding Fiscal Year (determined as aforesaid) on all Long-Term Indebtedness outstanding immediately prior to the issuance of such Refunding Indebtedness;

(iv) Short Term Indebtedness and Interim Indebtedness; provided that the total outstanding principal amount of Indebtedness incurred pursuant to this paragraph (iv) and paragraph (vi) below does not exceed 20 percent (20%) of the Revenues of the Institution as shown on or calculable from the audited financial statements of the Institution for the most recent Fiscal Year for which financial statements have been delivered;

(v) Balloon Indebtedness; provided that a certificate or certificates of a Authorized Representative of the Institution is delivered to the Trustee to the effect that, at the time of issuance of any Long Term Indebtedness on which more than 25% of the original principal amount becomes due in any year ("Balloon Indebtedness") or Indebtedness subject to tender for payment at the demand of the holder ("Optional Tender Indebtedness"), (A) a binding commitment has been obtained upon commercially reasonable terms by a financial institution generally regarded as responsible, to provide financing sufficient to pay such Balloon Indebtedness or Optional Tender Indebtedness at its maturity or upon tender and (B) the Transaction Test has been met, assuming that such Indebtedness is being incurred at level annual debt service to be paid over a term of 25 years and at an interest rate certified in such certificate (which shall be accompanied by and based on an opinion of a banking or investment banking institution) to be the term over which and the interest rate at which it could reasonably expect to borrow the same amount by issuing Long-Term Indebtedness the principal of which is amortized over 25 years;

(vi) Any line of credit (provided the Institution is required to reduce the amount outstanding thereunder to zero at least once every twelve months), capitalized lease, purchase money security interest, installment sales (or similar form of Indebtedness of the Institution), provided the total principal amount of the Indebtedness incurred pursuant to this paragraph (iv) above does not exceed twenty percent (20%) of the Revenues of the Institution as shown on or calculable from the audited financial statements of the Institution for the most recent Fiscal Year for which financial statements have been delivered; or

(vii) Public improvement or surety bonds or letters of credit required in connection with the development of any real property owned by the Institution.

Events of Default.

Any one or more of the following events shall constitute an "Event of Default" under the Lease Agreement: (a) Failure of the Institution to pay any rental payment that has become due and payable by the terms of the Lease Agreement which results in a default in the due and punctual payment of the principal of, purchase price, Sinking Fund Installments for, redemption premium, if any, or interest on any Bond; (b) Failure of the Institution to pay any amount (except as set forth in the Lease Agreement) that has become due and payable or to observe and perform any covenant, condition or agreement on its part to be performed under the Lease Agreement (subject to the Institution's right to contest any such imposition as set forth in the Lease Agreement) and continuance of such failure in accordance with the Lease Agreement; (c) Failure of the Institution to observe and perform any covenant, condition or agreement under the Lease Agreement on its part to be performed (except as set forth in the Lease Agreement) and (1) continuance of such failure for a period of thirty (30) days in accordance with the Lease Agreement, or (2) if by reason of the nature of such default the same can be remedied, but not within the said thirty (30) days, the Institution fails to proceed with reasonable diligence after receipt of said notice to cure the same or fails to continue with reasonable diligence its efforts to cure the same; (d) The Institution shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts generally become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) take any action for the purpose of effecting any of the foregoing, or (vii) be adjudicated a bankrupt or insolvent by any court; (e) A proceeding or case shall be commenced, without the application or consent of the Institution, in any court of competent jurisdiction, seeking, (i) liquidation, reorganization, dissolution, winding-up or composition or adjustment of debts, (ii) the appointment of a trustee, receiver, liquidator, custodian or the like of the Institution or of all or any substantial part of its assets, (iii) similar relief under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing against the Institution shall be entered and continue unstayed and in effect, for a period of ninety (90) days or (iv) the Institution shall fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code; the terms "dissolution" or "liquidation" of the Institution as used above shall not be construed to prohibit any action otherwise permitted by the Lease Agreement; (f) Any representation or warranty made (i) by or on behalf of the Institution in the application, commitment letter and related materials submitted to the Agency or the initial purchaser(s) of the Series 2005 Bonds for approval of the Project or its financing, or (ii) by the Institution in the Lease Agreement or in any of the other Security Documents or (iii) in the Letter of Representation and Indemnity Agreement delivered to the Agency, the Trustee and the original purchaser(s) of the Series 2005 Bonds, or (iv) in the Tax Compliance Agreement, or

(v) in any report, certificate, financial statement or other instrument furnished pursuant to the Lease Agreement or any of the foregoing shall prove to be false, misleading or incorrect in any material respect as of the date made; or (g) An "Event of Default" under the Indenture, the Mortgage or under any other Security Document caused by the Institution shall occur and be continuing.

Remedies on Default.

Whenever any Event of Default referred to in the Lease Agreement shall have occurred and be continuing, the Agency, or the Trustee where so provided, may, take any one or more of the following remedial steps:

(a) The Trustee, as and to the extent provided in Article VIII of the Indenture, may cause all principal installments of rental payments payable under Section 3.3 of the Lease Agreement for the remainder of the term thereof to be immediately due and payable, whereupon the same, together with the accrued interest thereon, shall become immediately due and payable; provided, however, that upon the occurrence of an Event of Default under Section 7.1(d) or (e) of the , all principal installments of rental payments payable under Section 3.3 hereof for the remainder of the term of the Lease Agreement, together with the accrued interest thereon, shall immediately become due and payable without any declaration, notice or other action of the Agency, the Trustee, the Holders of the Bonds or any other Person being a condition to such acceleration;

(b) The Agency, with the prior written consent of the Trustee, or the Trustee, may re-enter and take possession of the Facility without terminating the Lease Agreement, and sublease the Facility for the account of the Institution, holding the Institution liable for the difference in the rent and other amounts payable by the sublessee in such subletting, and the rental payments and other amounts payable by the Institution under the Lease Agreement;

(c) The Agency, with the prior written consent of the Trustee, or the Trustee, may terminate the Lease Agreement, and exclude the Institution from possession of the Facility, in which case the Lease Agreement and all of the estate, right, title and interest therein granted or vested in the Institution shall cease and terminate. No such termination of the Lease Agreement shall relieve the Institution of its liability and obligations thereunder and such liability and obligations shall survive any such termination;

(d) The Agency or the Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the rental payments then due and thereafter to become due, or to enforce performance or observance of any obligations, agreements or covenants of the Institution under the Lease Agreement;

(e) The Trustee may take any action permitted under the Indenture with respect to an Event of Default thereunder; and

(f) The Agency, without the consent of the Trustee or any Bondholder, may proceed to enforce the Agency's Reserved Rights by (i) an action for damages, injunction or specific performance, and/or (ii) conveying all of the Agency's right, title and interest, if any, in

the Facility to the Institution and the Institution hereby appoints the Agency its true and lawful agent and attorney-in-fact (which appointment shall be deemed to be an agency coupled with an interest) with full power of substitution to file on its behalf all affidavits, questionnaires and other documentation necessary to accomplish such conveyance.

In the event that the Institution fails to make any rental payment required in Section 3.3 of the Lease Agreement, the installment so in default shall continue as an obligation of the Institution until the amount in default shall have been fully paid.

Remedies Cumulative.

The rights and remedies of the Agency or the Trustee under the Lease Agreement shall be cumulative and shall not exclude any other rights and remedies of the Agency or the Trustee allowed by law with respect to any default under the Lease Agreement.

Options.

The Institution has the option to make advance rental payments for deposit in the Redemption Account of the Bond Fund to effect the retirement of the Bonds in whole or the redemption in whole or in part of the Bonds, all in accordance with the terms of the Indenture; provided, however, that no partial redemption of the Bonds may be effected through advance rental payments under the Lease Agreement if there shall exist and be continuing an Event of Default.

The Institution shall have the option to terminate the Lease Agreement on any date during the term of the Lease Agreement by causing the redemption, purchase or defeasance in whole of all Outstanding Bonds in accordance with the terms set forth in the Indenture.

Termination of Agreement.

After full payment of the Bonds or provision for the payment in full thereof having been made in accordance with the Indenture, the Institution may terminate the Lease Agreement by paying the fees and expenses of the Agency, the Trustee, the Bond Registrar and the Paying Agents and all other amounts due and payable under the Lease Agreement and the other Security Documents, together with any amounts required to be rebated to the federal government pursuant to the Indenture or the Tax Compliance Agreement, and by giving the Agency notice in writing of such termination and thereupon such termination shall forthwith become effective, subject, however, to the survival of the obligations of the Institution under the Lease Agreement.

Assignment or Sublease.

The Institution may not at any time, except as otherwise permitted pursuant to the Lease Agreement, assign or transfer the Lease Agreement, or sublet the whole or any part of the Facility, without the prior written consent of the Agency and the Trustee (which consents shall not be unreasonably withheld).

Amendments.

The Lease Agreement may be amended only with the concurring written consent of the Trustee given in accordance with the provisions of the Indenture and only if the Institution shall assume in writing the obligations of such amended Lease Agreement.

Inspection of Facility.

The Institution will permit the Trustee, or its duly authorized agents, at all reasonable times during normal business hours upon written notice to enter upon the Facility and to examine and inspect the Facility and exercise their rights under the Lease Agreement, under the Indenture and under the other Security Documents with respect to the Facility.

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APPENDIX E

PROPOSED FORM OF BOND COUNSEL OPINION

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[Proposed Form of Opinion of Bond Counsel]

City of Yonkers Industrial Development Agency
City Hall
40 South Broadway
Yonkers, New York 10701-3885

**Re: \$_____ City of Yonkers Industrial Development Agency Multi-Modal
Civic Facility Revenue Bonds (Consumers Union of United States, Inc.
Project), Series 2005**

Ladies and Gentlemen:

We have examined the record of proceedings in connection with the issuance by the City of Yonkers Industrial Development Agency (the "Issuer") of its \$_____ City of Yonkers Industrial Development Agency Multi-Modal Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Project), Series 2005 (the "Bonds"). The Bonds are authorized to be issued pursuant to (i) Article 18-A of the General Municipal Law of the State of New York and Chapter 83 of the Laws of 1982 of the State of New York (collectively, the "Act"), and (ii) a bond resolution adopted by the members of the Agency on December 8, 2005 (the "Bond Resolution") for the purpose of providing funds for the benefit of Consumers Union of United States, Inc. (the "Institution"), to assist with the financing of a portion of the costs associated with a certain project (the "Project") consisting of: (A) the refunding of the Agency's Series 1989 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Facility) in the original principal amount of \$20,000,000 (the "1989 Bonds"), proceeds of which were used for the acquisition, renovation and equipping of an approximately 15.18 acre parcel of land (the "1989 Land") and the improvements thereon located at _____ in the City of Yonkers, New York and used as the Institution's headquarters (the "1989 Facility"); (B) the refunding of the Agency's Series 1991 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Facility) in the original principal amount of \$10,000,000 (the "1991 Bonds"), proceeds of which were used to (i) reimburse the Institution for the costs of acquiring an approximately 9.3 acre parcel of land (the "1991 Land" and, together with the 1989 Land, the "Land" or the "Facility Realty") including certain improvements thereon (the "1991 Facility") located adjacent to the 1989 Facility; and (ii) reimburse the Institution for and finance certain capital expenditures in connection with the 1989 Facility and the 1991 Facility, including renovations to the 1989 Facility, the purchase of certain equipment to be used therein, and certain landscaping, paving and parking on the 1989 Facility and the 1991 Facility grounds; (C) the refunding of the Agency's Series 1994 Civic Facility Revenue Bonds (Consumers Union of United States, Inc. Facility) in the original principal amount of \$15,000,000 (the "1994 Bonds"), proceeds of which were used to reimburse the Institution for and finance certain costs in connection with a project consisting of the (i) construction of an approximately 75,000 square foot addition (the "1994 Facility" and, together with the 1989 Facility and the 1991 Facility, the "Original Facility") to the 1989 Facility and 1991 Facility, including site preparation, landscaping, paving and parking on the grounds surrounding the 1994 Facility, (ii) renovations to the 1989 Facility and 1991 Facility, (iii) purchase of various office and laboratory equipment to be used in the 1989 Facility, 1991

Facility and the 1994 Facility; (D) financing certain costs of reconstructing, renovating and equipping approximately 12,500 square feet portion of the Original Facility and the financing of certain capital expenditures in connection with the Original Facility (the "Improvements") and the acquisition and installation in and around the Improvements of various items of machinery, equipment and other tangible personal property (the "Equipment" or the "Facility Personality" and, together with the Improvements and the Original Facility, the "Facility"); (E) paying certain costs and expenses incidental to the issuance of the Bonds; (the costs associated with items (A) through (E) above being hereinafter collectively referred to as the "Project Costs"); and (F) the lease (with an obligation to purchase) of the Facility by the Agency to the Institution.

The Bonds are being issued pursuant to a certain Indenture of Trust, dated as of December 1, 2005 (the "Indenture"), by and between the Agency and The Bank of New York, as trustee (the "Trustee").

The Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), pursuant to a certain Contract of Purchase, dated December __, 2005 (the "Bond Purchase Agreement"), by and among the Underwriter, the Agency and the Institution.

Contemporaneously with the execution of the Indenture, the Agency and the Institution have entered into (i) a certain Company Lease Agreement, dated as of December 1, 2005 (the "Company Lease Agreement"), pursuant to which the Institution has leased the Land and any improvements thereon to the Agency in order to undertake the Project; and (ii) a certain Lease Agreement, dated as of December 1, 2005 (the "Lease Agreement"), pursuant to which the Agency has leased the Facility back to the Institution with the rental payments thereunder to be in an amount sufficient to pay the principal of, purchase price and redemption price of, sinking fund installments on, and interest on the Bonds.

As security for the payment of the principal of and interest on the Bond, Ambac Assurance Corporation. (the "Insurer") has issued its Financial Guaranty Insurance Policy (the "Bond Insurance Policy") pursuant to which the Insurer has insured the full and timely payment of the principal of and interest on the Bonds.

As security for the Bonds: (i) the Agency will assign all of its rights to and interest in the Project Documents (except the Unassigned Rights) to the Trustee, pursuant to the Indenture; (ii) the Institution, as guarantor (the "Guarantor") has guaranteed to the Trustee the full and timely payment of the principal of, sinking fund installments on, purchase price and redemption price of, and interest on the Bonds, pursuant to a certain Guaranty, dated as of December 1, 2005 (the "Guaranty"), from the Guarantor to the Trustee and (iii) the Agency and the Institution have granted to the Trustee a first priority mortgage lien on and security interest in a portion of the Facility pursuant to a certain Mortgage and Security Agreement, dated as of December 1, 2005, from the Agency and the Institution to the Trustee (the "Mortgage").

The Agency and the Institution have executed and delivered a certain Tax Compliance Agreement, dated December __, 2005 (the "Tax Compliance Agreement"), in which the Agency and the Institution have made certain representations and covenants, established certain conditions and limitations and created certain expectations, relating to compliance with the requirements imposed by the Internal Revenue Code of 1986, as amended, and regulations of the United States Treasury Department promulgated thereunder (collectively, the "Code").

The Bonds are dated as of their date of issuance, and bear interest from that date on the unpaid principal amount at the rates set forth in, and pursuant to the terms of, the Indenture and the Bonds. The Bonds are subject to prepayment or redemption prior to maturity, in whole or in part, at such time or times, or under such circumstances and in such manner as is set forth in the Bonds and the Indenture, respectively.

As Bond Counsel, we have examined originals or copies, certified or otherwise identified to our satisfaction, of such instruments, certificates and documents as we have deemed necessary or appropriate for the purposes of rendering the opinions set forth herein. In such examination, we have assumed the genuineness of all signatures, the authenticity and due execution of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have relied upon, and assumed the accuracy and truthfulness of, the aforesaid instruments, certificates and documents, without having conducted any independent investigation.

All capitalized terms, not otherwise defined herein, shall have the meaning ascribed to such terms in Appendix E attached to the Indenture.

Based upon and in reliance upon the foregoing, it is our opinion that:

- (a) The Agency is a duly organized and existing corporate governmental agency constituting a public benefit corporation of the State of New York.
- (b) The Agency is duly authorized and entitled by law to issue, execute, sell and deliver the Bonds for the purpose of financing the Project and to execute and deliver the Project Documents to which the Agency is a party.
- (c) The Bond Resolution has been duly and lawfully adopted by the Agency, is in full force and effect, and is valid and legally binding upon the Agency in accordance with its terms.
- (d) Each of the Project Documents to which the Agency is a party have been duly executed and delivered by the Agency and each is validly and legally binding and enforceable against the Agency in accordance with their respective terms.

(e) The Bonds have been duly authorized, executed and delivered, have been duly issued for value by the Agency and are valid and legally binding special obligations of the Agency payable in accordance with their terms and are entitled to the benefit and security of the Indenture in accordance with its terms.

(f) The Bonds do not constitute a debt of the City of Yonkers, New York or the State of New York and neither the City of Yonkers, New York nor the State of New York, will be liable thereon.

(g) Under statutes, regulations, administrative rulings and court decisions existing as of the date hereof, interest on the Bonds accruing prior to the Conversion Date is not included in gross income for federal income tax purposes and is not an "item of tax preference" for purposes of computing the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is included in the computation of "adjusted current earnings" for purposes of calculating the federal alternative minimum tax imposed on certain corporations. Corporate purchasers of the Bonds should consult their tax advisors regarding the computation of any alternative minimum tax.

(h) Under statutes existing as of the date hereof, interest on the Bonds is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including the City of New York).

(i) The Bonds are exempt securities within the meaning of the Securities Exchange Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, and no registration of the Bonds under the Securities Exchange Act of 1933, as amended, or of the Indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the Bonds.

In rendering the opinion set forth in paragraph (g) above that interest on the Bonds is not included in gross income for federal income tax purposes, we have relied upon, among other things, certain representations and covenants of the parties to this transaction, including those made by: (i) the Agency in the Indenture, the Lease Agreement, the Tax Compliance Agreement and the General Certificate of the Agency, dated as of December __, 2005 and (ii) the Institution in the Lease Agreement, the Tax Compliance Agreement and the General Certificate of the Institution, dated as of December __, 2005.. We call your attention to the fact that there are certain requirements contained in the Code with which the Agency and the Institution must comply after the date of issuance of the Bonds in order for interest on the Bonds to be and remain not included in gross income for federal income tax purposes. The Agency, the Institution or any other Person, by failing to comply with such requirements, may cause interest on the Bonds to become includable in gross income for federal income tax purposes, retroactive to the date of issue issuance of the Bonds. We render no opinion as to the non-inclusion in gross

income of interest on the Bonds for federal income tax purposes on or after any date on which any change occurs or action is taken or omitted under the Indenture, the Lease Agreement or the Tax Compliance Agreement by the Agency or the Institution, or under any other relevant documents without the advice or approval of, or upon the advice or approval of any Bond Counsel other than, Harris Beach PLLC.

Except for the opinions as set forth in paragraphs (g), (h) and (i) above, we express no opinion regarding any other federal, state or local income tax consequences arising with respect to the purchase or ownership of the Bonds. Purchasers of the Bonds, including, without limitation, purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security benefits or other federal retirement benefits are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

The foregoing opinions are qualified to the extent that the enforceability of the Bond Resolution, the Bonds, any of the Project Documents and any other document executed in connection therewith may be limited by any applicable bankruptcy, insolvency or other similar law or equitable principle now or hereafter enacted by the State of New York or the federal government or pronounced by a court having proper jurisdiction, affecting the enforcement of creditors' rights generally.

We express no opinion as to (i) the title to the Facility; (ii) the sufficiency of the description of the Facility in the Indenture, the Company Lease, the Lease Agreement, the Mortgage or any other document; and (iii) the perfection or priority of any Liens, charges or encumbrances on the Facility. Further, we have not been requested to examine and have not examined any documents or information relating to the Agency, the Institution or the Insurer other than the record of proceedings hereinabove referred to, and no opinion is expressed as to any financial information, or the adequacy thereof, which has been or may be supplied to the Trustee, the Insurer, the Underwriter, the initial purchaser of the Bonds or any other person.

This opinion is given as of the date hereof, and we disclaim any obligation to update this opinion letter for events occurring after the date of this opinion letter. We express no opinion herein except as to the laws of the State of New York and the federal laws of the United States.

Very truly yours,

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APPENDIX F

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee



Ambac Assurance Corporation
One State Street Plaza,
New York, New York 10004
Telephone: (212) 668-0340

Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the property/casualty insurance security fund specified by the insurance laws of the State of New York.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

In Witness Whereof, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Ambac Assurance Corporation

President



Secretary

Authorized Representative

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