

In the opinion of Mack Law Associates LLC, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Issuer and RIAC described herein, interest on the 2018 First Lien Refunding 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”). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel is further of the opinion that the 2018 First Lien Refunding Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by and within the State of Rhode Island (the “State”); although the 2018 First Lien Refunding Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, may be included in the measure of State estate taxes and certain State corporate and business taxes. See “TAX EXEMPTION” and APPENDIX D “Form of opinion of Bond Counsel” herein. Bond Counsel expresses no opinion regarding certain other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2018 First Lien Refunding Bonds.

**\$39,185,000**

**RHODE ISLAND COMMERCE CORPORATION
FIRST LIEN SPECIAL FACILITY REVENUE REFUNDING BONDS**



(RHODE ISLAND AIRPORT CORPORATION INTERMODAL FACILITY PROJECT)

SERIES 2018 (Non-AMT)

Dated Date: Date of Delivery**Due: July 1, as shown on the inside cover**

The 2018 First Lien Refunding Bonds are being issued by the Rhode Island Commerce Corporation (the “Corporation” or “Issuer”) to provide funds to the Corporation which will loan the funds to the Rhode Island Airport Corporation (“RIAC”) to, together with other funds of RIAC, (i) refund on a current basis all or a portion of the outstanding Rhode Island Economic Development Corporation First Lien Special Facility Revenue Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2006 (the “2006 Bonds”); and (ii) pay costs of issuance related to the authorization, sale and issuance of the 2018 First Lien Refunding Bonds.

The 2018 First Lien Refunding Bonds will be issued as fully-registered bonds in denominations of \$5,000 or any integral multiple thereof pursuant to the Indenture of Trust dated as of June 1, 2006 (the “2006 Indenture”), as supplemented by the First Supplemental Indenture of Trust dated as of June 1, 2006 (the “First Supplemental Indenture”) and as further supplemented by the Second Supplemental Indenture of Trust dated February 28, 2018 (the “Second Supplemental Indenture” and together with the First Supplemental Indenture and the 2006 Indenture, the “Indenture”), by and among the Corporation, the Rhode Island Airport Corporation (“RIAC”) and The Bank of New York Mellon Trust Company, N.A., as trustee and paying agent for the 2018 First Lien Refunding Bonds. Interest on the 2018 First Lien Refunding Bonds will be payable on January 1 and July 1 of each year, commencing July 1, 2018 (each an “Interest Payment Date”). The 2018 First Lien Refunding Bonds will initially be registered in the name of Cede & Co. as registered owner and nominee for the Depository Trust Company, New York, New York (“DTC”). Purchasers of the 2018 First Lien Refunding Bonds (the “Beneficial Owners”) will not receive physical delivery of the 2018 First Lien Refunding Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payment of the principal of and interest on the 2018 First Lien Refunding Bonds will be made directly to such registered owner which will in turn remit such payments to DTC Participants and Indirect Participants for subsequent disbursement to the Beneficial Owners. The 2018 First Lien Refunding Bonds are subject to redemption prior to maturity as more fully described herein.

The 2018 First Lien Refunding Bonds and any Additional First Lien Obligations (as defined herein) constitute special, limited obligations of the Corporation secured by and payable solely from a first lien on, pledge of, and security interest in the Trust Estate consisting of Facility Revenues (as hereinafter defined); moneys including investment earnings in funds and accounts pledged under the Indenture; certain insurance proceeds required to be deposited in such funds under the Indenture; and the Corporation’s right, title and interest to receive loan payments from RIAC under the Loan Agreement. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The obligations of RIAC under the Loan Agreement are special, limited obligations of RIAC and do not constitute a general obligation of RIAC.

THE 2018 FIRST LIEN REFUNDING BONDS AND THE INTEREST THEREON AND THE PREMIUM THEREON, IF ANY, DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF RHODE ISLAND OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL AND LIMITED OBLIGATION OF THE CORPORATION, PAYABLE ONLY FROM THE TRUST ESTATE PLEDGED AS SECURITY THEREFOR UNDER THE INDENTURE) AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2018 FIRST LIEN REFUNDING BONDS OR THE INTEREST OR PREMIUM, IF ANY, THEREON. NEITHER THE CORPORATION NOR RIAC HAVE ANY TAXING POWER.

See the inside cover page for maturities, principal amounts, interest rates and yields.

The 2018 First Lien Refunding Bonds are offered for delivery when, as, and if issued and received by the Underwriter, subject to the approval of legality by Mack Law Associates LLC, Providence, Rhode Island, Bond Counsel. Certain legal matters will be passed upon for Corporation by its counsel, Shechtman Halperin Savage, LLP, Pawtucket, Rhode Island; for RIAC by its Corporate Counsel, and for the Underwriter by its counsel, Harrington & Vitale, Ltd., Providence, Rhode Island. It is expected that the 2018 First Lien Refunding Bonds will be available for delivery through DTC in New York, New York on or about February 28, 2018.

This cover page is not intended to be a summary of the terms or security provisions of the 2018 First Lien Refunding Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

\$39,185,000

Rhode Island Commerce Corporation
 Rhode Island Airport Corporation Intermodal Facility Project
 First Lien Special Facility Revenue Refunding Bonds, Series 2018 (Non-AMT)

\$39,185,000 First Lien Special Facility Revenue Refunding Bonds, Series 2018 (Non-AMT)

Maturity (July 1)	Amount	Interest Rate	Yield	CUSIP ¹
2019	\$1,095,000	5.000%	1.780%	76219DAA6
2020	1,185,000	5.000	1.980	76219DAB4
2021	1,285,000	5.000	2.180	76219DAC2
2022	1,395,000	5.000	2.370	76219DAD0
2023	1,510,000	5.000	2.560	76219DAE8
2024	1,625,000	5.000	2.710	76219DAF5
2025	1,750,000	5.000	2.880	76219DAG3
2026	1,885,000	5.000	3.040	76219DAH1
2027	2,020,000	5.000	3.160	76219DAJ7
2028	2,170,000	5.000	3.260	76219DAK4
2029	2,325,000	3.125	3.390	76219DAL2
2030	2,440,000	5.000*	3.420	76219DAM0
2031	2,615,000	5.000*	3.470	76219DAN8
2032	2,790,000	5.000*	3.510	76219DAP3
2033	2,975,000	5.000*	3.560	76219DAQ1
2034	3,180,000	5.000*	3.600	76219DAR9
2035	3,380,000	3.750	3.950	76219DAS7
2036	3,560,000	3.875	3.980	76219DAT5

*Priced at the stated yield to the July 1, 2028 redemption date at a redemption price of 100%

¹The CUSIP Numbers have been assigned by an independent company not affiliated with the Corporation or RIAC and are included solely for the convenience of the holders of the 2018 First Lien Refunding Bonds. None of the Underwriter, the Corporation or RIAC is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the 2018 First Lien Refunding Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2018 First Lien Refunding Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity 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 certain maturities of the 2018 First Lien Refunding Bonds.

RHODE ISLAND COMMERCE CORPORATION

BOARD OF DIRECTORS

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Oscar T. Hebert
Jason Kelly
George Nee

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Lisa Lasky, Chief Financial Officer
William Ash, Managing Director of Financial Services
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Iftekhar Ahmad, President and Chief Executive Officer
Brian C. Schattle, CPA, Senior Vice President and Chief Financial Officer
Nicole S. Williams, CPA, Vice President and Chief Accounting Officer
Annette Jacques, Esq., Corporate Counsel

Bond Counsel

Mack Law Associates LLC, Providence, Rhode Island

Corporation Counsel

Shechtman Halperin Savage, LLP, Pawtucket, Rhode Island

Financial Advisor to RIAC

PFM Financial Advisors LLC, Largo, Florida

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NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CORPORATION OR RIAC TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CORPORATION OR RIAC OR BY PFM FINANCIAL ADVISORS, LLC, FINANCIAL ADVISOR TO RIAC. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE CORPORATION OR RIAC AND THE OWNERS OR ANY BENEFICIAL OWNERS OF ANY OF THE 2018 FIRST LIEN REFUNDING BONDS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATIONS THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF RIAC SINCE THE DATE HEREOF.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF ANY OF THE 2018 FIRST LIEN REFUNDING BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT QUALIFIED, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

UPON ISSUANCE, THE 2018 FIRST LIEN REFUNDING BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OF THIS OFFICIAL STATEMENT OR, EXCEPT FOR RIAC AND THE CORPORATION, APPROVED THE 2018 FIRST LIEN REFUNDING BONDS FOR SALE.

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, THEIR RESPECTIVE 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.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENTS." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. AMONG THE FACTORS THAT MAY CAUSE PROJECTED REVENUES AND EXPENDITURES TO BE MATERIALLY DIFFERENT FROM THOSE ANTICIPATED ARE AN INABILITY TO INCUR DEBT AT ASSUMED RATES, CONSTRUCTION DELAYS, INCREASES IN CONSTRUCTION COSTS, GENERAL ECONOMIC DOWNTURNS, FACTORS AFFECTING THE AIRLINE INDUSTRY IN GENERAL, FEDERAL LEGISLATION AND/OR REGULATIONS, AND REGULATORY AND OTHER RESTRICTIONS, INCLUDING, BUT NOT LIMITED TO, THOSE THAT MAY AFFECT THE ABILITY TO UNDERTAKE, THE TIMING OR THE COSTS OF CERTAIN PROJECTS. ANY FORECAST IS SUBJECT TO SUCH UNCERTAINTIES. THEREFORE, THERE ARE LIKELY TO BE DIFFERENCES BETWEEN FORECASTS AND ACTUAL RESULTS, AND THOSE DIFFERENCES MAY BE MATERIAL. OTHER THAN THE CUSTOMARY FINANCIAL REPORTING ACTIVITIES OF THE CORPORATION AND RIAC OR REPORTING ACTIVITIES NECESSARY TO COMPLY WITH LEGAL OR CONTRACTUAL REQUIREMENTS, NEITHER THE CORPORATION OR RIAC PLAN TO ISSUE ANY UPDATES OR REVISIONS TO SUCH FORWARD-LOOKING STATEMENTS IF OR WHEN (i) THE EXPECTATIONS OF THE CORPORATION OR RIAC CHANGE, OR (ii) THE EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH FORWARD-LOOKING STATEMENTS ARE BASED ACTUALLY OCCUR OR FAIL TO OCCUR.

IN CONNECTION WITH THE OFFERING OF THE 2018 FIRST LIEN REFUNDING BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, WITHOUT PRIOR NOTICE.

THE COVER PAGE HEREOF, THE INSIDE COVER PAGE, THIS PAGE AND THE APPENDICES ATTACHED HERETO ARE PART OF THIS OFFICIAL STATEMENT.

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APPENDIX B – Summary of Certain Provisions of the Indenture

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APPENDIX D – Form of Opinion of Bond Counsel

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OFFICIAL STATEMENT

relating to

\$39,185,000

**RHODE ISLAND COMMERCE CORPORATION
FIRST LIEN SPECIAL FACILITY REVENUE REFUNDING BONDS
(RHODE ISLAND AIRPORT CORPORATION INTERMODAL FACILITY PROJECT)
SERIES 2018 (Non-AMT)**

INTRODUCTION

This Official Statement (the “Official Statement”), which includes the cover page, inside cover page and Appendices hereto, contains certain information relating to the offering and sale by the Rhode Island Commerce Corporation (the “Corporation” or “Issuer”) of its First Lien Special Facility Revenue Refunding Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2018 (Non-AMT) (the “2018 First Lien Refunding Bonds”), to provide funds to the Corporation which will loan the funds to the Rhode Island Airport Corporation (“RIAC”) to, together with other funds of RIAC, (i) refund on a current basis all or a portion of the outstanding Rhode Island Economic Development Corporation First Lien Special Facility Revenue Bonds (Rhode Island Airport Corporation Intermodal Facility Project Series 2006); and (ii) pay costs of issuance related to the authorization, sale and issuance of the 2018 First Lien Refunding Bonds.

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and matters of opinion, or that they will be realized. The Official Statement speaks only as of its date, and the information contained herein is subject to change. Capitalized terms used in this Official Statement that are not otherwise defined herein have the meanings assigned to them in the Indenture as described in “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions.”

The 2018 First Lien Refunding Bonds will be issued pursuant to the Rhode Island Commerce Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the “Act”) and are special, limited obligations of the Corporation payable from and secured by a first lien on, pledge of and security interest in the Trust Estate granted in the Indenture, on an equal and ratable basis with any Additional First Lien Obligations issued in the future in accordance with the provisions of the Indenture (collectively, the “*First Lien Obligations*”). See “SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS – The Indenture.”

The obligation of RIAC to make payments to the Corporation in amounts required to pay the 2018 First Lien Refunding Bonds is evidenced by a Loan Agreement by and between the Corporation and RIAC dated February 28, 2018 (the “Loan Agreement”). RIAC’s obligation to make payments under the Loan Agreement is a special, limited obligation of RIAC and not a general obligation of RIAC. RIAC’s obligation to make payments under the Loan Agreement is limited to RIAC’s interest in Facility Revenues (hereinafter defined) received under the Concession Agreement (hereinafter defined) and in certain funds and accounts held by The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”) under the Indenture as part of the Trust Estate.

Facility Revenues (“Facility Revenues”) include all revenues collected by or on behalf of RIAC that are generated by the operation of the Intermodal Facility (“Intermodal Facility”), including: (i) Customer Facility Charges (“CFCs”), (ii) fees paid by Rental Car Companies pursuant to Section 14.5 of the Concession Agreement (excluding privilege fees and deficiency fees), (iii) commuter parking revenues, (iv) payments by third parties other than Rental Car Companies under concession and/or lease agreements relating to the Intermodal Facility, (v) Utility Facility Charges (“UFCs”), and (vi) any payments by third parties other than Rental Car Companies for access to and/or use of the skywalk system included in the Intermodal Facility (excluding privilege fees and deficiency fees).

The Intermodal Facility includes consolidated facilities for Airport rental car operations, a train platform to provide access for commuter rail service south to Wickford, Rhode Island and north to both Providence, Rhode Island and Boston, Massachusetts; and a parking garage for rental car operators and rail commuters. An elevated and enclosed skywalk system connects the Intermodal Facility to the Airport. See “THE INTERMODAL FACILITY.”

The Corporation has also entered into a loan from the United States Department of Transportation (“USDOT”) pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998, 23 United States Code, Section 601, et seq. (“TIFIA”) Loan Agreement (hereinafter defined) and evidenced by the Rhode Island Commerce Corporation, TIFIA-No. 2006-1001, Rhode Island Airport Corporation Second Lien Bond, Series 2006 (the “2006 TIFIA Bond”) issued as a Second Lien Obligation pursuant to the First Supplemental Indenture. See “SUMMARY OF THE TIFIA LOAN AGREEMENT herein and APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The 2006 TIFIA Bond is a Second Lien Obligation, payable from Facility Revenues and the Trust Estate on a basis subordinate to payment of the 2006 First Lien Bonds and will be subordinate to the 2018 First Lien Refunding Bonds. Upon the occurrence of an Event of Default that is a Bankruptcy Related Event under the TIFIA Loan Agreement and the Indenture while the United States Department of Transportation acting by and through Build America Bureau (“USDOT”) owns the 2006 TIFIA Bond, the 2006 TIFIA Bond will become a First Lien Obligation on a parity with other First Lien Obligations, including the 2018 First Lien Refunding Bonds, except that it will not be entitled to be paid from amounts in the First Lien Debt Service Reserve Fund. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS – Defaults and Remedies – 2006 TIFIA Bond Default Remedy”.

CFCs are charges imposed pursuant to State law (Rhode Island General Laws Section 1-2-1.1) and required to be collected by the Rental Car Companies on vehicle rentals pursuant to the Concession Agreement. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS - Customer Facility Charges”.

RIAC and various rental car companies serving T.F. Green State Airport (the “Airport”) have entered into Amended and Restated Rental Car Company Concession Agreements (the “Concession Agreement”). Under the Concession Agreement, RIAC will receive, among other things, the Facility Revenues including CFCs, and effective July 1, 2017, Utility Facility Charges. See – “SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS – Customer Facility Charges – Utility Facility Charges”.

The 2018 First Lien Refunding Bonds are being issued in full compliance with the Act. The Corporation is authorized to enter into the Indenture to issue the 2018 First Lien Refunding Bonds and to secure the 2018 First Lien Refunding Bonds by a pledge of the Trust Estate. The Corporation and RIAC have provided, or prior to the delivery of the 2018 First Lien Refunding Bonds, will have provided all required certifications for the issuance of the 2018 First Lien Refunding Bonds, including the required consent of USDOT pursuant to the 2006 TIFIA Bond. See – “THE RHODE ISLAND COMMERCE CORPORATION”.

THE 2018 FIRST LIEN REFUNDING BONDS AND THE INTEREST THEREON AND THE PREMIUM THEREON, IF ANY, DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF RHODE ISLAND OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL AND LIMITED OBLIGATION OF THE CORPORATION, PAYABLE ONLY FROM THE TRUST ESTATE PLEDGED AS SECURITY THEREFOR UNDER THE INDENTURE) AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2018 FIRST LIEN REFUNDING BONDS OR THE INTEREST OR PREMIUM, IF ANY, THEREON. NEITHER THE CORPORATION NOR RIAC HAVE ANY TAXING POWER.

THE RHODE ISLAND COMMERCE CORPORATION

General

The Corporation was authorized, created and established by the General Assembly of the State as a public corporation, governmental agency and public instrumentality having a distinct legal existence from the State and not constituting a department of State government pursuant to the Act. The Corporation is empowered, among other things, to issue its bonds and notes, if deemed advisable, and to loan the proceeds thereof to various borrowers in the State, including to RIAC, for the acquisition, ownership, operation, construction, reconstruction, rehabilitation, improvement, development, sale, lease, or other disposition of, or the provision of financing for, any real or personal property, of any facility to promote the economic development of the State and the general welfare of its citizens. In 2013, the Rhode Island General Assembly passed legislation intended to develop an integrated system of economic development activities by which the Act was amended resulting in the change of Corporation’s name from the Rhode Island Economic Development Corporation to the Rhode Island Commerce Corporation and the creation of the Executive Office of Commerce as the State’s lead agency for economic development throughout Rhode Island. The

Executive Office of Commerce is headed by the Secretary of Commerce who also acts as the Chief Executive Officer of the Corporation.

The Act declares that it is the policy of the State to promote a vigorous and growing economy, to prevent economic stagnation and to encourage the creation of new jobs in order to ameliorate the hazards of unemployment and underemployment, reduce the level of public assistance, increase revenues to the State and its municipalities and achieve a stable and diversified economy.

The Act provides that all of the powers of the Corporation are vested in a Board of Directors consisting of thirteen (13) members. The Governor serves as a member of the Board and as chairperson, ex-officio (who shall vote only in the event of a tie). In addition to the Governor, the membership of the Board consists of twelve (12) public members to be appointed by the Governor, with the advice and consent of the Senate. Accordingly, in addition to the Governor, there are currently twelve (12) public members. Generally, the members serve for four-year terms. The Chairperson designates a Vice Chairperson who serves at the pleasure of the Chairperson. The Board of Directors appoints a Secretary who need not be a member of the Board of Directors. All members serve without compensation but are entitled to reimbursement for necessary expenses incurred in performance of their duties related to the Act.

Directors and Officers – each member serves until his or her successor is appointed and qualified.

The Directors and Officers of the Corporation are:

Her Excellency Gina M. Raimondo. Governor Raimondo serves as Chair of the Board of Directors, ex-officio.

Ronald O'Hanley. Mr. O'Hanley serves as Vice Chair of the Board of Directors. His appointment as a member is through February 1, 2017. Mr. O'Hanley is the President & Chief Operating Officer of State Street Corporation.

Karl Wadensten. Mr. Wadensten serves as Treasurer of the Board of Directors. His appointment as a member is through February 1, 2018. Mr. Wadensten is President of VIBCO, in Wyoming, Rhode Island.

Bernard V. Buonanno III. Mr. Buonanno has been appointed as a member of the Board of Directors for a term expiring February 1, 2019. Mr. Buonanno is the Managing Director of Nautic Partners in Providence, Rhode Island.

Nancy Carriuolo PhD. Dr. Carriuolo has been appointed as a member of the Board of Directors for a term expiring February 1, 2017. Dr. Carriuolo is Vice President for Advancement at New England Institute of Technology.

Oscar T. Hebert. Mr. Hebert has been appointed as a member of the Board of Directors through February 1, 2018. Mr. Hebert is Chief Managed Services Officer at Carousel Industries.

Mary Jo Kaplan. Ms. Kaplan has been appointed as a member of the Board of Directors for a term expiring February 1, 2019. Ms. Kaplan is an executive at Loomio in Providence, Rhode Island.

Jason Kelly. Mr. Kelly has been appointed as a member of the Board of Directors through February 1, 2016. Mr. Kelly is an Executive Vice President of Moran Shipping Agencies, in Providence, Rhode Island.

Mary Lovejoy. Ms. Lovejoy has been appointed as a member of the Board of Directors for a term expiring February 1, 2016. Ms. Lovejoy is a retired executive from Textron in Providence, Rhode Island.

Michael F. McNally. Mr. McNally has been appointed as a member of the Board of Directors for a term expiring February 1, 2019. Mr. McNally is retired.

George Nee. Mr. Nee has been appointed a member of the Board of Directors through February 1, 2016. Mr. Nee is President of Rhode Island AFL-CIO.

Donna Sams. Ms. Sams has been appointed as a member of the Board of Directors for a term expiring February 1, 2017. Ms. Sams is a Managing Partner and Chief Services Officer at AWE.

Vanessa Toledo-Vickers. Ms. Toledo-Vickers has been appointed as a member of the Board of Directors for a term expiring February 1, 2018. Ms. Toledo-Vickers is the Director of Operations at the Academy of Career for Exploration in Providence, Rhode Island.

Other officers and managers of the Corporation are:

Stefan Pryor – Chief Executive Officer
Jesse Saglio – President & Chief Operating Officer
Lisa Lasky – Chief Financial Officer
William Ash – Managing Director of Financial Services
Thomas Carlotto, Esq. – Secretary

Other Corporation Indebtedness

As of June 30, 2017, the Corporation had approximately \$1,076,819,474 in bonds outstanding. Certain of the bonds of the Corporation, other than the 2018 First Lien Refunding Bonds, the 2006 TIFIA Bonds, and any other Obligations issued under the Indenture, may be secured, in addition to a pledge of revenues, by a capital reserve fund established by the Corporation. Neither the revenues pledged to secure other Corporation bonds nor the capital reserve fund established by the Corporation for other the Corporation bonds secures the 2018 First Lien Refunding Bonds, the 2006 TIFIA Bonds, and any other Obligations issued under the Indenture; nor does the Trust Estate under the Indenture secure any other of the Corporation bonds.

THE RHODE ISLAND AIRPORT CORPORATION

General

RIAC was created by the Corporation on December 9, 1992 as a subsidiary public corporation, governmental agency and public instrumentality, having a distinct legal existence from the State and the Corporation and having many of the same powers and purposes as the Corporation. RIAC is a component unit of the State. Specifically, RIAC is empowered, pursuant to its Articles of Incorporation and Rhode Island law, to undertake the planning, development, management, acquisition, ownership, operation, repair, construction, reconstruction, rehabilitation, renovation, improvement, maintenance, development, sale, lease, or other disposition of any "airport facility", as defined in the Act. "Airport facility" is defined in the Act in part as "developments consisting of runways, hangars, control towers, ramps, wharves, bulkheads, buildings, structures, parking areas, improvements, facilities, or other real or personal property, necessary, convenient, or desirable for the landing, takeoff, accommodation, and servicing of aircraft of all types, operated by carriers engaged in the transportation of passengers or cargo, or for the loading, unloading, interchange, or transfer of the passengers or their baggage, or the cargo, or otherwise for the accommodation, use or convenience of the passengers or the carriers or their employees (including related facilities and accommodations at sites removed from landing fields or other landing areas), or for the landing, taking off, accommodation, and servicing of aircraft owned or operated by persons other than carriers."

Pursuant to its Articles of Incorporation, the powers of RIAC are vested in its Board of Directors consisting of seven members. The members are appointed by the Governor of the State with the advice and consent of the Senate and serve two, three, or four year terms. See R.I. Gen. Laws § 42-64-7.1(h). All Directors serve without compensation but are entitled to reimbursement for necessary expenses incurred in the performance of their duties related to RIAC.

RIAC does not have the authority to issue bonds or notes or borrow money without the approval of the Corporation. In addition, RIAC does not have the power of eminent domain with respect to real property. RIAC does have certain contractual rights under the Lease Agreement to require the State to exercise powers of eminent domain for the benefit of RIAC.

Directors and Officers – each member serves until his or her successor is appointed and qualified.

Jonathan N. Savage, Esq. Mr. Savage is a founding member of the law firm Shechtman Halperin Savage, LLP. Shechtman Halperin Savage, LLP currently serves as outside general counsel to the Corporation. Mr. Savage is the current Chairperson of the Board and serves as a Board Member with a term through June 1, 2021.

Russell W. Hahn. Mr. Hahn is currently a senior vice president and commercial lending officer with BankRI after serving in a similar capacity for the Washington Trust Company for over 20 years. Mr. Hahn is the current Vice Chairperson of the Board and serves as a Board Member with a term through June 1, 2018.

Deborah M. Thomas. Ms. Thomas is the Chief Financial Officer of Hasbro, Inc. Ms. Thomas is the current Treasurer of the Board and serves as a Board Member with a term that is through June 1, 2021.

Heather P. Tow-Yick. Ms. Tow-Yick is the Chief Transformation Officer with Providence Public Schools and oversees strategy, development, partnerships, systemwide performance, wellness & social emotional learning, new school design and innovation. Previously, she served as the Vice President with Teach For America working on national initiatives and as the Founding Executive Director of Teach for America in Rhode Island. She has also worked as a Managing Director of Human Assets for Teach for America in New York and as a Consultant at the Bridgespan Group. Ms. Tow-Yick is the current Secretary of the Board and serves as a Board Member with a term that is through June 1, 2019.

Christopher H. Little, Esq. Mr. Little is a partner at Pierce Atwood and has over 35 years of law experience throughout New England. Mr. Little serves as a Board member with a term through June 1, 2019.

Gregory A. Pizzuti. Mr. Pizzuti works as Head of Global Sales at IBM for the Media & Entertainment Industry, which includes entertainment venues. He has been at IBM for 16 years. Mr. Pizzuti serves as a Board Member with a term through June 1, 2020.

Michael A. Traficante. Mr. Traficante is the Director of Governmental Affairs for the New England Laborers' Union. Mr. Traficante served as citywide Councilman for the City of Cranston from 1979 through 1984. Mr. Traficante served as Mayor of the City of Cranston from 1985 through 1999 and presently serves on the Cranston School Committee for the past 12 years. Mr. Traficante serves as a Board Member with a term through June 1, 2020.

Airport Management

Principal RIAC staff members responsible for management of the Airports are listed below:

Iftikhar Ahmad – President and Chief Executive Officer. Mr. Ahmad serves as the President and CEO of RIAC. In this role, he oversees all six airports in Rhode Island including T. F. Green Airport. Prior to joining RIAC in October 2016, Mr. Ahmad served as the Executive Director of New Orleans International Airport which serves around 12 million passengers a year. Prior to taking the helm at New Orleans International Airport, Mr. Ahmad was the Director of Aviation for the City of Dayton, Ohio which served approximately three million passengers annually. Previously, Mr. Ahmad served as the Vice President of the Metropolitan Nashville Airport Authority and served in a variety of capacities with the Houston Airport System including the Chief of Capital Improvement Programing. Mr. Ahmad serves as a United States' civil aviation expert to the North Atlantic Treaty Organization (NATO) in an advisory capacity. Mr. Ahmad has a Masters of Civil Engineering and a Bachelors of Civil Engineering from Oklahoma State University. He also possesses Professional Engineer's (PE) license in Texas.

Brian C. Schattle, CPA - Senior Vice President and Chief Financial Officer. As a Senior Vice President and Chief Financial Officer, Mr. Schattle is responsible for financial and commercial functions for RIAC. Prior to joining RIAC in June 2004, Mr. Schattle was the New England Region Vice President for a multinational provider of ground transportation services. Mr. Schattle began his career with KPMG and has over twenty years of experience in finance and accounting. Mr. Schattle has a Bachelor's Degree in Accounting from the University of Rhode Island. Mr. Schattle is a Certified Public Accountant.

Nicole S. Williams, CPA – Vice President and Chief Accounting Officer. Ms. Williams, RIAC's Vice President and Chief Accounting Officer, joined RIAC in January 2000. Prior to joining RIAC, Ms. Williams was an Audit Associate for LGC&D, a regional accounting and business consulting firm. Ms. Williams has over twenty years of financial, auditing, and business experience. Ms. Williams has a Bachelor's Degree in Accounting from Providence College. Ms. Williams is a Certified Public Accountant.

Annette Jacques, Esq. – Corporate Counsel. Ms. Jacques, RIAC's Corporate Counsel, joined RIAC in July 2016. Prior to joining RIAC, Ms. Jacques was Deputy Chief Legal Counsel for the Rhode Island Department of Transportation for ten years. Ms. Jacques has been practicing law for over twenty years, primarily representing governmental agencies focusing upon real estate, environmental and contracting matters. Ms. Jacques has a Juris Doctor from Suffolk University Law School.

PLAN OF REFUNDING

Proceeds of the 2018 First Lien Refunding Bonds, together with other funds of RIAC, will be used to (i) refund on a current basis all or a portion of the outstanding Rhode Island Economic Development Corporation First Lien Special Facility Revenue Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2006, and (ii) pay costs of issuance related to the authorization, sale and issuance of the 2018 First Lien Refunding Bonds.

A portion of the proceeds of the 2018 First Lien Refunding Bonds together with other available funds are to be deposited in the First Lien Principal Account (2006) and First Lien Interest Account (2006) established under the First Supplemental Indenture, described herein. Such proceeds will be held as cash and used to pay the principal and redemption premiums and interest on the 2006 Bonds being refunded through and including their redemption date on March 17, 2018. The Trustee shall receive an accountant's verification report as to the sufficiency of moneys and investments to provide for the payment of the 2006 Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS"

The Debt Service Reserve Requirement shall be funded from amounts currently on deposit with the Trustee in the First Lien Debt Service Reserve Fund. The Trustee shall be instructed by the Issuer and RIAC to deposit a sum equal to the Debt Service Reserve Requirement in a First Lien Debt Service Reserve Account (2018) in the First Lien Debt Service Reserve Fund.

In accordance with Rhode Island General Laws Section 35-18-3(c)(5), the Governor shall certify to the Speaker of the House and the President of the Senate that the refunding of the 2006 Bonds will provide a net benefit to the Corporation.

SOURCES AND USES OF FUNDS FOR THE 2018 FIRST LIEN REFUNDING BONDS

The proceeds from the sale of the 2018 First Lien Refunding Bonds are estimated to be applied as set forth in the following table:

2018 First Lien Refunding Bonds

Sources of Funds

Principal Amount	\$39,185,000.00
Net Premium	3,529,416.35
Amounts on Deposit in the 2006	
First Lien Debt Service Reserve Fund	4,074,000.00
Amounts on Deposit in the First	
Lien Debt Service Fund	<u>1,118,498.95</u>
Total Sources of Funds	\$47,906,915.30

Uses of Funds

Deposit to First Lien Debt Service	
Reserve Account (2018)	\$ 3,697,950.00
First Lien Principal Account	43,340,000.00
First Lien Interest Account	457,477.78
Issuance Costs (including	
Underwriter's Discount)	<u>411,487.52</u>
Total Uses of Funds	\$47,906,915.30

THE 2018 FIRST LIEN REFUNDING BONDS

General

The 2018 First Lien Refunding Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof, will be dated the date of delivery and will bear interest

from that date to their respective maturities as set forth on the inside front cover page hereof, subject to mandatory and optional redemption prior to maturity as set forth below under "DESCRIPTION OF THE 2018 FIRST LIEN REFUNDING BONDS - Redemption Provisions." Interest will be payable semiannually on January 1 and July 1 of each year, commencing on July 1, 2018. Except as otherwise provided below under "DESCRIPTION OF THE 2018 FIRST LIEN REFUNDING BONDS - Book-Entry Only System", interest will be payable by check or draft mailed to the registered owners thereof at the address shown on the registration books kept by The Bank of New York Mellon Trust Company, N.A. (the "Registrar") at the close of business on the fifteenth (15th) day (regardless of whether a Business Day) of the calendar month immediately preceding an interest Payment Date, the date on which the interest is to be paid; provided, however, that payment of the Principal Amount of, Redemption Premium, if any, and interest on the 2018 First Lien Refunding Bonds may, at the option of any registered owner of Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer within the continental United States to such owner to the bank account number on file with the Registrar as of the Regular Record Date. The Bank of New York Mellon Trust Company, N.A. is also serving as paying agent (the "Paying Agent") and authenticating agent (the "Authenticating Agent") for the 2018 First Lien Refunding Bonds.

Book-Entry Only System

This section describes how ownership of the 2018 First Lien Refunding Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2018 First Lien Refunding Bonds are to be paid to and credited by DTC while the 2018 First Lien Refunding Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation, RIAC and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Corporation, RIAC and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 2018 First Lien Refunding Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 2018 First Lien Refunding Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2018 First Lien Refunding Bonds. The 2018 First Lien Refunding 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 each series of the 2018 First Lien Refunding Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. 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 2018 First Lien Refunding Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018 First Lien Refunding Bonds on DTC's records. The ownership interest of each actual purchaser of each 2018 First Lien Refunding Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018 First Lien Refunding 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 2018 First Lien Refunding Bonds, except in the event that use of the book-entry system for the 2018 First Lien Refunding Bonds is discontinued.

To facilitate subsequent transfers, all 2018 First Lien Refunding 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 2018 First Lien Refunding Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018 First Lien Refunding Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2018 First Lien Refunding 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 2018 First Lien Refunding Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2018 First Lien Refunding Bonds, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of 2018 First Lien Refunding Bonds may wish to ascertain that the nominee holding the 2018 First Lien Refunding 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 shall be sent to DTC. If less than all of the 2018 First Lien Refunding Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2018 First Lien Refunding Bonds unless authorized by a Direct Participant in accordance with DTC's IMIMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation or RIAC 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 2018 First Lien Refunding Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2018 First Lien Refunding Bonds, and redemption proceeds, 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 Corporation, RIAC or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Corporation or RIAC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be required by an authorized representative of DTC) is the responsibility of the Corporation, RIAC or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2018 First Lien Refunding Bonds at any time by giving reasonable notice to the Corporation, RIAC or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2018 First Lien Refunding Bond certificates are required to be printed and delivered.

The Corporation or RIAC may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2018 First Lien Refunding Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the 2018 First Lien Refunding Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the 2018 First Lien Refunding Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners will be given only to DTC.

The information in this section concerning the Book-Entry-Only System has been obtained from DTC and sources that the Corporation, RIAC and the Underwriter believe to be reliable but none of the Corporation, RIAC or the Underwriter take responsibility for the accuracy thereof.

Redemption Provisions

Optional Redemption. The 2018 First Lien Refunding Bonds maturing on or before July 1, 2028 are not subject to optional redemption prior to maturity. The 2018 First Lien Refunding Bonds maturing on or after July 1, 2029 shall be subject to redemption at the option of the Corporation upon the direction of RIAC on or after July 1, 2028 from optional prepayments made by RIAC under the Loan Agreement, in whole or in part at any time, at par; plus interest accrued to the date fixed for redemption.

Partial Redemption of Bonds. Upon the selection and call for redemption of, and the surrender of, any 2018 First Lien Refunding Bonds for redemption in part only, the Corporation shall cause to be executed and the Authenticating Agent shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Corporation, a new 2018 First Lien Refunding Bond or 2018 First Lien Refunding Bonds of authorized denominations and like tenor, in an aggregate face amount equal to the unredeemed portion of the 2018 First Lien Refunding Bond surrendered.

Effect of Call for Redemption. On the date designated for redemption by notice, the 2018 First Lien Refunding Bonds called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2018 First Lien Refunding Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Paying Agent, interest on such 2018 First Lien Refunding Bonds so called for redemption shall cease to accrue, such 2018 First Lien Refunding Bonds shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment from moneys held therefor by the Paying Agent and the amount of such 2018 First Lien Refunding Bonds so called for redemption shall be deemed paid and no longer Outstanding.

Method of Selecting Bonds for Redemption. Except when registration of the 2018 First Lien Refunding Bonds is maintained pursuant to a book-entry only system, 2018 First Lien Refunding Bonds shall be selected for redemption as follows: (a) in the event that less than all of the 2018 First Lien Refunding Bonds are to be redeemed, the maturities to be redeemed and the method of their selection shall be determined by the Corporation, and (b) in the event that less than all 2018 First Lien Refunding Bonds of a maturity are to be redeemed, the 2018 First Lien Refunding Bonds of such maturity to be redeemed shall be selected by lot in such customary manner as the Trustee shall determine.

Notice of Redemption. During the period that DTC or Cede & Co. is the registered owner of the 2018 First Lien Refunding Bonds, the Trustee shall not be responsible for mailing notices of redemption to the Beneficial Owners of the 2018 First Lien Refunding Bonds. See "DESCRIPTION OF THE 2018 FIRST LIEN REFUNDING BONDS -- Book-Entry Only System."

Each notice of redemption of 2018 First Lien Refunding Bonds shall specify: (a) the date fixed for redemption, (b) the Principal Amount of 2018 First Lien Refunding Bonds or portions thereof to be redeemed, (c) the applicable redemption price, (d) the place or places of payment, (e) that payment of the Principal Amount and Redemption Premium, if any, will be made upon presentation and surrender to the Trustee or Paying Agent, as applicable, of the 2018 First Lien Refunding Bonds to be redeemed, (f) that Interest accrued to the date fixed for redemption will be paid as specified in such notice, (g) that on and after said date Interest on 2018 First Lien Refunding Bonds which have been redeemed will cease to accrue, (h) the designation, including Series, date of issue, and the CUSIP numbers of the 2018 First Lien Refunding Bonds to be redeemed and, if less than the face

amount of any 2018 First Lien Refunding Bonds is to be redeemed, the Principal Amount to be redeemed and (i) that the proposed redemption is conditioned on there being on deposit in the Redemption Fund on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed. In the case of an optional redemption, the notice may state: (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date, or (2) that the Issuer retains the right to rescind such notice at any time prior to the scheduled redemption date if the Issuer delivers a certificate of an Issuer Representative to the Trustee instructing the Trustee to rescind the redemption notice (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in subsection (d) of Section 302 of the Indenture.

Any notice of redemption shall be sent by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the date set for redemption by registered or certified mail to the registered owner of each such 2018 First Lien Refunding Bonds to be redeemed in whole or in part at its address as it appears on the Register. Failure to give any notice with respect to any particular 2018 First Lien Refunding Bond, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other 2018 First Lien Refunding Bond with respect to which no such failure or defect has occurred.

Any notice of redemption may be rescinded by the Corporation by written order given to the Trustee not later than five (5) Business Days prior to the date specified for redemption. Upon receipt of such written order, the Trustee shall promptly disseminate notice of such rescission in the same manner, to the same persons, as the notice of redemption was given.

SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS

The Indenture

The principal amount of, redemption premium, if any, and interest on the 2018 First Lien Refunding Bonds will be payable from, and secured by a pledge of the respective interests of Corporation and RIAC in the “Trust Estate” created under the Indenture. The Trust Estate consists of: (i) Facility Revenues; (ii) moneys, including Investment Earnings deposited into the CFC Fund or accounts or funds to be held by or on behalf of the Trustee created under the Indenture or a Supplemental Indenture relating to each of such funds and accounts; (iii) certain insurance proceeds required to be deposited in such funds under the Indenture; and (iv) Corporation's right, title and interest in the Loan Agreement including the right to receive loan payments from RIAC under the Loan Agreement.

The 2018 First Lien Refunding Bonds are special and limited obligations of Corporation payable solely from, and secured solely by, a pledge of the respective interests of each of Corporation and RIAC in the “Trust Estate” created under the Indenture.

THE 2018 FIRST LIEN REFUNDING BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL AND LIMITED OBLIGATION OF THE CORPORATION, PAYABLE ONLY FROM THE TRUST ESTATE PLEDGED AS SECURITY THEREFOR UNDER THE INDENTURE) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2018 FIRST LIEN REFUNDING BONDS OR THE INTEREST THEREON. NEITHER THE CORPORATION NOR RIAC HAVE ANY TAXING POWER.

The Loan Agreement

The Loan Agreement constitutes an unconditional obligation of RIAC to repay, from the Trust Estate, the loan from the Corporation in such amounts and at such times as shall be sufficient to pay the principal amount of, redemption premium, if any, and interest on the 2018 First Lien Refunding Bonds. Pursuant to the Loan Agreement and the Indenture, RIAC will pledge the Facility Revenues and, except with respect to the issuance of Additional First Lien Obligations, will covenant not to otherwise encumber the Facility Revenues except on a subordinate lien basis.

Pledge of Facility Revenues

Under the Loan Agreement and the Indenture, RIAC has irrevocably pledged the Facility Revenues to the payment of its loan under the Loan Agreement and the payment of the 2018 First Lien Refunding Bonds.

Facility Revenues include all revenues collected by or on behalf of RIAC that are generated by the operation of the Intermodal Facility, including: (i) Customer Facility Charges, (ii) fees paid by Rental Car Companies pursuant to Section 14.5 of the Concession Agreement (excluding privilege fees and deficiency fees), (iii) commuter parking revenues, (iv) payments by third parties other than Rental Car Companies under concession and/or lease agreements relating to the Intermodal Facility, (v) Utility Facility Charges, and (vi) any payments by third parties other than Rental Car Companies for access to and/or use of the skywalk system included in the Intermodal Facility (excluding privilege fees and deficiency fees). Prior to paying any amounts from the Revenue Fund (into which all Facility Revenues are paid) to any other fund under the Indenture, RIAC shall first pay, on a monthly basis, amounts required by the Indenture to be deposited to the Operating and Maintenance Fund which Fund is not pledged as security for repayment of the 2018 First Lien Refunding Bonds. See – “SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS – Funds and Accounts”.

Customer Facility Charges

RIAC is authorized to impose and collect a CFC on rental car companies conducting business at the Airport by Rhode Island General Laws Section 1-2.1.1. Pursuant to this authorization, RIAC began collecting a CFC of \$3.75 per eligible rental car transaction day on July 1, 2001. Since April 1, 2014, the CFC rate has been \$6.00 per eligible rental car transaction day.

Each rental car company that conducts its rental car business in the Intermodal Facility (an “Intermodal RAC”) has executed a Concession Agreement, including the Second Amendment to the Concession Agreement effective July 1, 2017. The Concession Agreement sets forth the terms and conditions pursuant to which an Intermodal RAC will lease space from RIAC and conduct its rental car business at the Airport. See – “THE CONCESSION AGREEMENT AND THE RENTAL CAR COMPANIES.”

In accordance with its legal authorization to impose and collect CFCs, RIAC is empowered to establish the CFC to be collected per eligible rental car transaction day. Pursuant to the Concession Agreement, prior to July 1, 2017, RIAC agreed to limit the CFCs to be charged per eligible rental car transaction day to \$6.00 plus an amount equal to \$6.00 multiplied by the percentage increase, if any, in the CPI (as defined in the Concession Agreement) from the fifth anniversary of the Date of Operational Opening (“DOO”) until the date of calculation (the “CFC Cap”). Effective July 1, 2017, pursuant to an amendment to the Concession Agreement, RIAC may, in its sole discretion from time to time during the term of the Concession Agreement, determine the amount of the CFC. The amount of the CFC may exceed the CFC Cap. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT.”

Utility Facility Charges

Effective July 1, 2017, RIAC and each Intermodal RAC entered into an amendment of its respective Concession Agreement pursuant to which each Intermodal RAC will pay to RIAC a Utility Facility Charge. Pursuant to the Concession Agreement (and for so long as the Concession Agreement is in effect), RIAC shall charge and collect, from each Intermodal RAC and Off-Site RAC, in trust for the benefit of RIAC, daily UFC from each Chargeable Customer on all rental car transactions. Effective July 1, 2017, the initial amount of the UFC is \$1.00 per eligible rental car transaction day. From time to time during the term of the Concession Agreement, RIAC, in its sole discretion, may determine the amount of the UFC. The UFC is included as a Facility Revenue.

Funds and Accounts

The following table shows the funds established pursuant to the Indenture, the party holding each account, and whether each respective fund is pledged to 2018 First Lien Refunding Bondholders pursuant to the Indenture:

<u>FUND NAME</u>	<u>HELD BY</u>	<u>PLEDGED TO HOLDERS OF 2018 FIRST LIEN REFUNDING BONDS</u>
Construction Fund	Trustee	Yes
Revenue Fund	RIAC	Yes
First Lien Debt Service Fund	Trustee	Yes
First Lien Debt Service Reserve Fund	Trustee	Yes
Second Lien Debt Service Fund	Trustee	Yes
Second Lien Debt Service Reserve Fund	Trustee	Yes
Subordinate Lien Debt Service Fund	Trustee	Yes
Rebate Fund	Trustee	No
Operating & Maintenance Reserve Fund	RIAC	No
Emergency Renewal and Replacement Reserve Fund	RIAC	No
Renewal and Replacement Fund	RIAC	No
Intermodal General Purpose Fund	RIAC	No

For a more detailed description of funds established under the Indenture, see – “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

If at any time the Trustee is required to make a withdrawal from the First Lien Debt Service Fund and the moneys therein shall not be sufficient for such purpose, the Trustee shall withdraw (or cause to be withdrawn) the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the First Lien Debt Service Fund in the following order: (i) the Revenue Fund; (ii) the Operating and Maintenance Reserve Fund; (iii) the Subordinate Lien Debt Service Fund, if any; (iv) the Second Lien Debt Service Fund; and (v) the First Lien Debt Service Reserve Fund.

If at any time the Trustee is required to make a withdrawal from the Subordinate Lien Debt Service Fund and the moneys therein shall not be sufficient therein, subject to the above-referenced paragraph with respect to the First Lien Debt Service Fund, the Trustee shall withdraw or cause to be withdrawn the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer same to the Subordinate Lien Debt Service Fund in the following order: (i) the Revenue Fund; and (ii) the respective Subordinate Lien Debt Service Reserve Fund, if any.

Rate Covenant

RIAC has covenanted under the Indenture to establish and revise rules and regulations to insure that Net Facility Revenues (Facility Revenues less expenses for Operating and Maintenance Expenses) as of the end of each Fiscal Year (plus Investment Earnings thereon and amounts on deposit in a Coverage Account, if any, at the beginning of such Fiscal Year) are at least equal to the greatest of:

- (a) 1.25x the Annual Debt Service payable on all Outstanding First Lien Obligations;

- (b) 1.10x the Annual Debt Service payable on all Outstanding First Lien and Outstanding Second Lien Obligations; or
- (c) All deposits required to be made to all funds established under the Indenture excepting only to the Renewal and Replacement Fund and the Intermodal General Purpose Fund.

Covenant Regarding CFCs

RIAC shall cause the CFCs to be calculated, established and imposed as provided under State law and in the Indenture so long as any Obligations remain Outstanding, and RIAC shall use diligence to cause the Facility Revenues and CFCs to be collected by each Intermodal RAC in accordance with the terms of the Concession Agreement. Pursuant to the Indenture, RIAC covenants and agrees that it will take all lawful and available measures to adjust the CFCs in any year pursuant to and as permitted by the Concession Agreement, if determined to be necessary in RIAC's sole discretion.

In addition, so long as the TIFIA Bond is outstanding, the Corporation and RIAC have covenanted that neither shall take any action to reduce CFCs without the prior written consent of USDOT acting by and through the Build America Bureau, provided, however that no such consent shall be required if the Net Facility Revenues provided by CFCs assessed at the rate proposed by RIAC would have been sufficient to satisfy the Rate Covenant set forth above.

Debt Service Reserve Fund

The Second Supplemental Indenture establishes a First Lien Account (2018) in the First Lien Debt Service Reserve Fund which will be funded in the amount of the First Lien Debt Service Reserve Requirement. The First Lien Debt Service Reserve Requirement is the least of (i) the maximum Annual Debt Service of all First Lien Obligations, (ii) 1.25 times the Average Annual Debt Service of all First Lien Obligations, or (iii) ten (10) percent of the aggregate principal amount of the outstanding First Lien Obligations, as determined on the date each series of First Lien Obligations is issued and delivered. The outstanding principal and interest on the TIFIA Bond is not taken into account in computing the First Lien Debt Service Reserve Requirement. Amounts in the First Lien Debt Service Reserve Fund are to be used to pay interest on, maturing principal and mandatory sinking fund redemption price of First Lien Obligations in cases where other monies under the Indenture are not available therefor. Upon issuance of the 2018 First Lien Refunding Bonds the Debt Service Reserve Requirement will be \$3,697,950.00, which is being funded from amounts currently on deposit with the Trustee in the First Lien Debt Service Reserve Fund.

Moneys and investments, if any held in the First Lien Debt Service Reserve Fund shall be held and used for the benefit of all First Lien Obligations. Moneys held in the First Lien Debt Service Reserve Fund shall be used for the purpose of paying interest on, maturing principal and mandatory sinking fund redemption price of First Lien Obligations whenever and to the extent that the moneys held for the credit of the First Lien Debt Service Fund, after making all required transfers from other funds, shall be insufficient for such purpose. In lieu of funding the First Lien Debt Service Reserve Fund with funds available to RIAC, the funding requirement may be met by issuing a First Lien DSRF Security (i.e. surety bond, insurance policy, letter of credit or similar financial instrument whose Long-Term Indebtedness is rated in one or more of the three highest rating categories assigned by any Rating Agency) payable to the Trustee in an amount equal to the difference between the First Lien Debt Service Reserve Requirement and the amounts then on deposit in the First Lien Debt Service Reserve Fund.

Operating and Maintenance Reserve Fund

The Indenture establishes an Operating and Maintenance Reserve Fund funded on or before the Completion Date from CFCs collected prior to the Completion Date in an amount equal to the Operating and Maintenance Reserve Requirement. If funds on deposit in the Operating and Maintenance Reserve Fund as of the end of any Fiscal Year are less than the Operating and Maintenance Reserve Requirement then, as provided for in the Indenture, RIAC shall withdraw from the Revenue Fund and deposit in the Operating and Maintenance Reserve Fund an amount equal to one-twelfth (1/12th) of the amount necessary to fund any such deficiency, on a monthly basis, in the Operating and Maintenance Reserve Fund. Funds in the Operating and Maintenance Reserve Fund shall be used to pay Operating and Maintenance Costs when funds on deposit in the Operating and Maintenance Fund are insufficient therefor, and may be used to fund deficiencies in the First and Second Lien Debt Service Fund. Funds in the Operating and Maintenance Reserve Fund will not be pledged to the payment of the Obligations.

Emergency Renewal and Replacement Reserve Fund

The Indenture establishes an Emergency Renewal and Replacement Reserve Fund, initially funded on the Completion Date from CFCs received prior to the Completion Date in an amount equal to the Emergency Renewal and Replacement Reserve Fund Requirement. If the funds on deposit in the Emergency Renewal and Replacement Reserve Fund are less than the Emergency Renewal and Replacement Reserve Fund Requirement then, as provided for in the Indenture, there shall be transferred from the Revenue Fund an amount necessary to fund any such deficiency in twelve equal monthly installments. Funds in the Emergency Renewal and Replacement Reserve Fund shall be used by RIAC to pay Emergency Renewal and Replacement Costs. Funds in the Emergency Renewal and Replacement Reserve Fund will not be pledged to the payment of the Obligations.

Additional Obligations

Additional First Lien Obligations. The Corporation is authorized under the Indenture to issue Additional First Lien Obligations, subject to certain restrictions and conditions as described below.

The Corporation has agreed in the Indenture that it will not issue any Additional First Lien Obligations unless it delivers specified documentation, including certain opinions, certificates (including a certificate of the Corporation and RIAC that the Rental Car Company's obligation to make payments under the Concession Agreements has not been rescinded or modified) and either:

- (i) a report of the Airport Consultant to the effect that the Projected Net Facility Revenues (plus Investment Earnings thereon and amounts, if any, projected to be on deposit in a Coverage Account on the first day of a Fiscal Year) for the three Fiscal Years following either the date of issuance of such Additional First Lien Obligations or the date of final expenditure of any capitalized interest funded with the proceeds of such Additional First Lien Obligations, whichever is later, are expected, as of the end of each such Fiscal Year, to be at least equal to the greater of: (1) 1.25 times the Annual Debt Service on all First Lien Obligations (including such Additional First Lien Obligations), or (2) 1.10 times the Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional First Lien Obligations); or
- (ii) A certificate of the Issuer Representative to the effect that the Net Facility Revenues for the immediately preceding Fiscal Year (plus Investment Earnings thereon and amounts, if any, contained in a Coverage Account on the first day of such Fiscal Year) were at least equal to the greater of: (1) 1.25 times the maximum Annual Debt Service on all First Lien Obligations (including such additional First Lien Obligations), or (2) 1.10 times the maximum Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional First Lien Obligations); and

If the Additional First Lien Obligations are being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any First Lien Obligations, a certificate of an Issuer Representative certifying that the Annual Debt Service of the Issuer in each year on account of such Additional First Lien Obligations will be less than the Annual Debt Service of the Issuer on account of such First Lien Obligations to be refunded, repurchased, or refinanced in each year that such First Lien Obligations would have been outstanding.

Completion Obligations. To finance the costs of completion of the Project, at the request of RIAC, the Corporation may, without complying with any other provisions of Section 702(a) of the Indenture specified above, issue Additional First Lien Obligations in a principal amount not in excess of 15% of the principal amount of the original First Lien Obligations issued to finance the Project, if prior to the issuance thereof there is delivered to the Trustee a certificate of a RIAC Representative stating: (i) that at the time the original First Lien Obligations for the Project to be completed were issued, RIAC had reason to believe that the proceeds of such First Lien Obligations together with other moneys then expected to be available would provide sufficient moneys for the completion of the Project; (ii) the amount estimated to be needed to so complete the Project; and (iii) that the proceeds of such Additional First Lien Obligations to be applied to the completion of the Project, together with a reasonable estimate of investment income to be earned on such proceeds and available to pay such Costs, the amount of moneys, if any, committed to such completion from available cash or marketable securities and reasonably estimated earnings thereon, enumerated bank loans (including letters or lines of credit), and any other moneys reasonably expected to be available, will be in an amount not less than the estimated amount needed to complete the Project set forth in such certificate of a RIAC Representative. The principal amount of the completion Obligations to be used in assessing whether the test for completion Obligations has been met shall include the amount required to (i) provide completed

and equipped facilities of substantially the same type and scope contemplated at the time such prior First Lien Obligations were originally issued, (ii) provide for capitalized interest during the period of construction, (iii) provide the required deposit, if any, to cause the balance in the First Lien Debt Service Reserve Fund to equal the First Lien Debt Service Reserve Requirement, and (iv) pay the costs and expenses of issuing such First Lien Obligations. See “EXHIBIT B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”.

Flow of Funds

RIAC will deposit all Facility Revenues to the credit of the Revenue Fund. Except as provided in “Funds and Accounts”, below, RIAC will transfer amounts on deposit in the Revenue Fund to the following funds in the following order of priority.

PRIORITY		FACILITY REVENUES ↓	HELD BY
		Revenue Fund	RIAC
1	→	Operating and Maintenance Fund	RIAC
2	→	First Lien Debt Service Fund	TRUSTEE
3	→	First Lien Debt Service Reserve Fund	TRUSTEE
4	→	Second Lien Debt Service Fund ¹	TRUSTEE
5	→	Second Lien Debt Service Reserve Fund ¹	TRUSTEE
6	→	Subordinate Lien Debt Service Fund ²	TRUSTEE
7	→	Subordinate Lien Debt Service Reserve Fund ²	TRUSTEE
8	→	Rebate Fund	TRUSTEE
		Operating and Maintenance Reserve Fund	RIAC
9	→	<ul style="list-style-type: none"> ● Minimum fund balance equal to 6 months of budgeted O&M ● Initially funded with CFC collections prior to facility completion ● Any amounts used are to be replenished in 12 monthly deposits 	
		Emergency Renewal and Replacement Reserve Fund	RIAC
10	→	<ul style="list-style-type: none"> ● \$2 Million fund balance requirement ● Initially funded with CFC Collections prior to facility completion ● Any amounts used are to be replenished in 12 monthly deposits 	
		Renewal and Replacement Fund	RIAC
11	→	<ul style="list-style-type: none"> ● May be funded up to \$10 Million maximum fund balance ● Amounts to be used for renewal/replacement and other allowable costs 	
		Intermodal General Purpose Fund	RIAC
12	→	<ul style="list-style-type: none"> ● Deposits of all remaining Facility Revenues ● Amounts may be used by RIAC for any purposes related to the Intermodal Facility and to restore deficiencies in funds or accounts created under the Indenture ● Amounts may be expended for any of the following purposes, with no one item having priority over any of the others <ul style="list-style-type: none"> -Purchase or redeem outstanding debt obligations -Pay O&M Expenses -Fund Intermodal Facility projects -Any other lawful purpose 	

¹ Includes deposits for the 2006 TIFIA Bond ² No Subordinate Lien obligations or reserves anticipated at this time

Remedies. The Secured Owners shall be entitled to the remedies hereinafter specified, PROVIDED, HOWEVER, ACCELERATION OF THE PRINCIPAL OF OR INTEREST ON THE OBLIGATIONS OR ANY OF THE OBLIGATIONS UPON THE OCCURRENCE OF AN EVENT OF DEFAULT IS NOT A REMEDY AVAILABLE UNDER THE INDENTURE AND IN NO EVENT SHALL THE TRUSTEE, THE SECURED

OWNERS OR OTHER PARTIES HAVE THE ABILITY, UPON THE OCCURRENCE OF AN EVENT OF DEFAULT, TO DECLARE IMMEDIATELY DUE AND PAYABLE THE PRINCIPAL OF OR INTEREST ON THE OBLIGATIONS OR ANY OF THE OBLIGATIONS. To the extent that a Series of Obligations is secured by a Credit Facility, a First Lien DSRF Security or a Second Lien DSRF Security, the Bank or the Bond Insurer shall be considered the Secured Owner of such Obligation for all purposes of exercising any remedy or giving any directions to the Trustee pursuant to the provisions of this Article. Upon the happening and continuance of any Event of Default, the Trustee may proceed, and upon the written request of the Secured Owners of not less than twenty percent (20%) in principal amount of the Obligations then Outstanding hereunder must proceed, subject to certain provisions of the Indenture, to protect and enforce its rights and the rights of the Secured Owners under the Enabling Acts and under the Indenture 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, either for mandamus or the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In enforcing any remedy under the Indenture, the Trustee is entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, interest or otherwise under any of the provisions of the Indenture or of the Outstanding Obligations and unpaid, with interest on overdue payments, to the extent permitted by law, at the rate or rates of interest borne by such Obligations, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Obligations, without prejudice, to any other right or remedy of the Trustee or of the Secured Owners, and to recover and enforce judgment or decree against the Corporation, but solely as provided in the Indenture and in such Obligations, for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect (but solely from Facility Revenues) in any manner provided by law, the moneys adjudged or decreed to be payable. See "RISK FACTORS – Limitation and Enforceability of Remedies."

Application of Moneys. If at any time the moneys in the First Lien Debt Service Fund, the Second Lien Debt Service Fund or the Subordinate Lien Debt Service Fund, and the respective reserve funds and other funds established by the Indenture are insufficient to pay the principal of or the interest on any Obligations as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose shall be applied (subject to the provisions of Section 902 and Section 905 of the Indenture) as set forth in (a) through (f) below; *provided however*, that amounts on deposit in a fund or account: (i) dedicated to the payment or security of the First Lien Obligations, the Second Lien Obligations, or the Subordinate Lien Obligations, or (ii) constituting security for Additional Obligations for the benefit of one or more specific Series of Obligations shall not be applied as provided in (a) through (f) below but shall be used only for the purpose for which such deposits were made:

(a) Unless the principal of all the First Lien Obligations shall then be due, all such moneys shall be applied first: to the payment of all installments of interest then due on the First Lien Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installments, without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Lien Obligations; and second: to the payment of the principal of any First Lien Obligations which have matured, and, if the amount available shall not be sufficient to pay all of such matured First Lien Obligations, then the payment thereof ratably, according to the amount due: or if no First Lien Obligations have matured, to the retirement of First Lien Obligations in accordance with the provisions of Section 517 of the Indenture.

(b) If the principal of all the First Lien Obligations shall then be due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the First Lien Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any First Lien Obligations over any other First Lien Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Lien Obligations.

(c) If there is no default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations but the principal of, premium, if any, or interest on Second Lien Obligations has not been paid when due, unless the principal of all the Second Lien Obligations shall then be due and payable, all such moneys shall be applied first: to the payment of all installments of interest then due on the Second Lien Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, without any discrimination or preference except as to any difference in the respective rates of interest specified in the

Second Lien Obligations; and second: to the payment of the principal of any Second Lien Obligations which have matured, and, if the amount available shall not be sufficient to pay all of such matured Second Lien Obligations, then to the payment thereof ratably, according to the amount due: or if no Second Lien Obligations have matured, to the retirement of Second Lien Obligations in accordance with the provisions of Section 517 of the Indenture.

(d) If there is no Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations but the principal of all the Second Lien Obligations shall then be due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Second Lien Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Second Lien Obligations over any other Second Lien Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Second Lien Obligations.

(e) If there is no Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations or the Second Lien Obligations but the principal of, premium, if any, or interest on Subordinate Lien Obligations has not been paid when due, unless the principal of all the Subordinate Lien Obligations shall then be due and payable, all such moneys shall be applied first: to the payment for all installments of interest then due on the Subordinate Lien Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Obligations; and second: to the payment of the principal of any Subordinate Lien Obligations that have matured, and, if the amount available shall not be sufficient to pay all of such matured Subordinate Lien Obligations, then to the payment thereof ratably, according to the amount due: or if no Subordinate Lien Obligations have matured, to the retirement of Subordinate Lien Obligations in accordance with the provisions of Section 517 of the Indenture.

(f) If there is no Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations or Second Lien Obligations but the principal of all the Subordinate Lien Obligations shall then be due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Subordinate Lien Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Lien Obligations over any other Subordinate Lien Obligations, ratably, according to the amounts due respectively for principal and interest without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Obligations.

Whenever moneys are to be applied by the Trustee as provided in (a) through (f) above, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Trustee, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application of such moneys by the Trustee; and the Trustee shall incur no liability whatsoever to the Issuer, to any Secured Owner or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee.

Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid to such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Secured Owner of any unpaid Obligation or the interest thereon unless such Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Majority of Secured Owners May Control Proceedings. Any other provisions of the Indenture notwithstanding, the Secured Owners of not less than a majority in principal amount of First Lien Obligations then Outstanding (or, if no First Lien Obligation is then Outstanding, then the Secured Owners of not less than a majority in principal amount of the Second Lien Obligations then Outstanding) will have the right, subject to certain provisions of the Indenture regarding the Trustee's rights, to direct the method and place of conducting all remedial actions to be taken by the Trustee under the Indenture. However, the Trustee will have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Secured Owners that are not parties to such direction.

Restrictions Upon Action by Individual Secured Owner. No Secured Owners of any of the Outstanding First Lien Obligations will have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the execution of any trust under the Indenture or the protection or enforcement of any right under the Indenture or any resolution or minute order of the Corporation authorizing the issuance of First Lien Obligations or Second Lien Obligations, or any right under applicable laws of the State (except for an action for the recovery of overdue and unpaid principal, interest or redemption premium) unless (i) such Secured Owner gives the Trustee written notice of the event of default or breach of trust or duty on account of which such suit or action is to be taken, (ii) the Secured Owners of not less than twenty percent (20%) in principal amount of the First Lien Obligations and Second Lien Obligations then Outstanding have (A) made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, have accrued, (B) afforded the Trustee a reasonable opportunity either to (1) proceed to exercise the powers granted under the Indenture or applicable laws of the State, or (2) to institute such action, suit or proceeding in its or their name, and (C) offered the Trustee reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred by it, and (iii) the Trustee has refused or neglected to comply with the request described in clause (ii)(A) within a reasonable time.

2006 TIFIA Bond Default Remedy. Upon the occurrence of a Bankruptcy-Related Event under the TIFIA Loan Agreement and the Indenture while the USDOT owns the 2006 TIFIA Bond, the 2006 TIFIA Bond will be deemed to be and will automatically become, as of the date of occurrence of such a Bankruptcy-Related Event, a First Lien Obligation for all purposes of the Indenture and the USDOT, acting through the Build America Bureau, will be deemed the Secured Owner of such First Lien Obligation. In the event that occurrence of such a Bankruptcy-Related Event and any then existing defaults under the TIFIA Loan Agreement are cured, the 2006 TIFIA Bond will no longer be treated as a First Lien Obligation and will revert to the status of a Second Lien Obligation. Notwithstanding the other provisions described in this section, if on the date that such a Bankruptcy-Related Event occurs there are any amounts on deposit in the First Lien Debt Service Fund or the First Lien Debt Service Reserve Fund, such amounts will be used to pay amounts due or to become due on the First Lien Obligations Outstanding immediately prior to the occurrence of such Bankruptcy-Related Event. In the event the 2006 TIFIA Bond is deemed a First Lien Obligation, the Indenture provides that the 2006 TIFIA Bond (i) will not be secured by the First Lien Debt Service Reserve Fund and (ii) will not be taken into account in computing the First Lien Debt Service Reserve Requirement. See “SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS –Debt Service Reserve Fund.”

For further information regarding remedies under the Indenture see “APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE”

RENTAL CAR COMPANIES

Three rental car companies, operating ten (10) different rental car brands, currently operate at the Airport and have entered into Concession Agreements with RIAC to operate at the Intermodal Facility. The following table sets forth the Rental Car Companies, the rental car brand or brands that each operates, and its fiscal years ending June 30 in 2013 through 2017 market share, based on the CFC revenues generated at the Airport:

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CFC REVENUE BY CAR RENTAL COMPANY

	2013		2014		2015		2016		2017	
	CFC	% of	CFC	% of	CFC	% of	CFC	% of	CFC	% of
	Revenue	Total	Revenue	Total	Revenue	Total	Revenue	Total	Revenue	Total
Advantage	\$ 205,761	3.6%	\$ 106,854	2.0%	\$ 35,238	0.6%	-	0.0%	-	0.0%
Alamo	383,548	6.7%	368,558	6.7%	652,758	11.0%	\$ 634,818	10.5%	\$ 624,715	10.7%
Avis	839,399	14.7%	747,216	13.7%	733,333	12.4%	725,712	12.0%	666,186	11.4%
Budget	905,355	15.8%	928,816	17.0%	1,087,277	18.4%	1,034,244	17.1%	1,017,384	17.5%
Dollar	225,678	3.9%	435,237	8.0%	466,500	7.9%	409,506	6.8%	326,406	5.6%
Enterprise	899,764	15.7%	803,620	14.7%	697,956	11.8%	682,223	11.3%	713,118	12.2%
Hertz	1,076,488	18.8%	1,017,983	18.6%	949,116	16.0%	1,113,842	18.4%	1,249,308	21.5%
National	650,155	11.4%	691,131	12.6%	768,510	13.0%	877,734	14.5%	806,340	13.9%
Payless	4,725	0.1%	37,440	0.7%	258,936	4.4%	209,052	3.5%	124,362	2.1%
Thrifty	530,486	9.3%	326,218	6.0%	274,386	4.6%	367,902	6.1%	293,598	5.0%
Zip Car	-	0.0%	683	0.0%	996	0.0%	690	0.0%	450	0.0%
Totals	\$ 5,721,359	100%	\$ 5,463,755	100%	\$ 5,925,006	100%	\$ 6,055,723	100%	\$ 5,821,867	100%

Note: CFC Revenue includes audit recoveries and other related charges

CONCESSION AGREEMENT AND THE RENTAL CAR COMPANIES

The term of the Concession Agreement is twenty years from the DOO provided, however, that at RIAC's option, exercisable after the seventeenth anniversary of the DOO, the term of the Concession Agreement may be continued up to a maximum of thirty years. The DOO is October 27, 2010.

The Airport is currently provided rental car service by three companies. Those companies operate under the following ten (10) different brands: Alamo, Avis, Zipcar, Budget, Dollar, Enterprise, Hertz, National, Payless, and Thrifty. All rental car companies servicing the Airport are required to service Airport customers from the Intermodal Facility.

The Intermodal Facility serves as the exclusive point of access to the Airport by customers of all Intermodal RACs, except for certain limited courtesy vehicle service for premium or VIP customers. Off-Site RACs or RACs that do not lease space in the Intermodal Facility are nevertheless required to drop off and pick up their customers exclusively at the Intermodal Facility. The customers of these Off-Site RACs as well as the customers of the Intermodal RACs use the skywalk system to access the Airport.

Each Intermodal RAC is assigned counter space, ready/return rental car spaces, fueling positions, wash bays, and equipment/staff support space in the QTA Area based on its proportionate market share, as determined by such company's gross revenues for the most recent twelve-month period. RIAC will determine each Intermodal RACs' market share and permit reallocation for these purposes at five-year intervals and for purposes of counter space at two and one-half year intervals for any Intermodal RAC which has increased its market share space over the market share of another Intermodal RAC.

In 2006, RIAC made available to the Intermodal RACs a Tenant Improvement Fund in the amount of approximately \$12.4 million to finance the design and construction of the fuel system and to finance tenant fit-out. As a reimbursement for the Tenant Improvement Fund outlay, each Intermodal RAC pays its proportionate share of a \$656,052 annual payment until the Concession Agreement expires. This annual payment is treated as Facility Revenues.

The Intermodal RACs are responsible for the operation and maintenance costs of their exclusive space, ready/return spaces, the fueling system, and the QTA Area. Each Intermodal RAC pays a facility rental fee for the lease of its exclusive space, ready/return spaces, the fueling system, and the QTA Area equal to those costs and expenses plus its pro rata share of the operation and maintenance costs of the rental car common area space and the common area space in the rest of the Intermodal Facility in excess of the facility revenues for such year, and fund the Operating and Maintenance Reserve.

Each RAC pays a Privilege Fee each month equal to ten (10%) percent of such company's gross receipts for that month. Privilege Fees collected pursuant to the Concession Agreement constitute general airport revenues and are not part of the Trust Estate or Facility Revenues.

The Concession Agreement requires strict accounting procedures on behalf of the Intermodal RACs to ensure appropriate collection and payment of all CFCs, Facility Revenues, and Privilege Fees.

Effective July 1, 2017, the RAC agreement was amended to allow RIAC to increase the CFC beyond the CFC Cap established in the agreement, include the privilege fee as a gross receipt in its calculation, and establish a Utility Facility Charge of \$1 per transaction day.

SUMMARY OF THE TIFIA LOAN AGREEMENT

Pursuant to the provisions of TIFIA, USDOT lent the Corporation \$41,540,891 to pay or reimburse Eligible Project Costs of the Intermodal Facility under a secured loan agreement dated as of June 1, 2006 ("TIFIA Loan Agreement"). The amount loaned to the Corporation was in turn loaned to RIAC pursuant the TIFIA Loan Agreement.

To evidence the Corporation's obligations under the TIFIA Loan Agreement, the Corporation issued the 2006 TIFIA Bond pursuant to the First Supplemental Indenture as a Second Lien Obligation payable from and secured by a pledge of and secondary interest in the Trust Estate under the Indenture, subject to the pledge of the

Trust Estate for the security and payment of the First Lien Obligations. Upon the occurrence of an Event of Default that is a Bankruptcy-Related Event under the TIFIA Loan Agreement and the Indenture while the USDOT owns the 2006 TIFIA Bond, the 2006 TIFIA Bond will become a First Lien Obligation on a parity with other First Lien Obligations, including the 2018 First Lien Refunding Bonds, except that it will not be entitled to be paid from amounts in the First Lien Debt Service Reserve Fund. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS – Defaults and Remedies – 2006 TIFIA Bond Default Remedy". See also "RISK FACTORS - Dilution of Senior Lien Security Upon Bankruptcy Related Event".

THE INTERMODAL FACILITY (ALSO KNOWN AS INTERLINK FACILITY)

Description of the Intermodal Facility

The Intermodal Facility includes consolidated facilities for Airport rental car operations, a commuter rail train platform to provide access for commuter rail traffic south to Wickford, Rhode Island and north to both Providence and Boston; on the first level of the facility, a drop-off zone for taxis, limousines, van shuttles; a commuter parking lot (for train and bus passengers), and a short-term parking area for pick-up and drop-off. There is also a bus pick-up and drop-off stop on the west side of the facility along Jefferson Boulevard that serves Rhode Island Public Transit Authority ("RIPTA") buses. An elevated and enclosed skywalk system connects the Intermodal Facility to the front of the Airport Terminal (approximately one-quarter mile away). Travel time between the Intermodal Facility and the Airport Terminal is estimated to be four minutes using the skywalk system. The Rhode Island Department of Transportation ("RIDOT") includes the site for the Intermodal Facility as part of its lease of the Airport to RIAC.

INTERLINK FACILITY OPERATIONS

Net Income or Loss for the InterLink is recorded as Operating Revenue or Loss in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, Net Parking Revenues, and, commencing July 1, 2017, Utility Facility Charges. Operating Expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest Expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds and the US Department of Transportation's (USDOT's) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and is shown after Nonoperating revenues/expenses in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Interest Income on accounts associated with the InterLink is also included in this line item.

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A breakdown of the net income/(loss) from the InterLink Facility is as follows:

	2017	2016	2015
Facility Revenues	\$ 7,527,431	\$ 7,773,044	\$ 7,811,008
Operating and maintenance expense	1,352,973	1,314,020	1,553,372
Interlink operating income before depreciation and amortization	6,174,458	6,459,024	6,257,636
Depreciation and amortization	4,600,881	4,586,505	4,559,002
Operating Income	\$ 1,573,577	\$ 1,872,519	\$ 1,698,634
Interest Expense	(4,408,194)	(4,453,263)	(4,495,513)
Interest Income	171,066	72,419	25,338
Net loss Interlink Facility	\$ (2,663,551)	\$ (2,508,325)	\$ (2,771,541)

Source: Rhode Island Airport Corporation

The following chart illustrates the categories of InterLink Facility Revenues for the fiscal years ended June 30, 2017, 2016, and 2015:

	2017	% of Total Facility Revenues	2016	% of Total Facility Revenues	2015	% of Total Facility Revenues
Facility Revenues						
Customer Facility Charges	\$ 5,821,867	77.3%	\$ 6,055,723	77.9%	\$ 5,925,006	75.8%
Rental Income	1,632,212	21.7%	1,625,310	20.9%	1,621,065	20.8%
Parking Revenue	69,336	0.9%	86,360	1.1%	258,906	3.3%
Other	4,016	0.1%	5,651	0.1%	6,031	0.1%
Total Facility Revenues	<u>\$ 7,527,431</u>	100.0%	<u>\$ 7,773,044</u>	100.0%	<u>\$ 7,811,008</u>	100.0%

Source: Rhode Island Airport Corporation

CUSTOMER FACILITY CHARGES

Since July of 2001, RIAC has collected CFCs per eligible rental car transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Interlink Facility. Since April 1, 2014, the CFC rate has been \$6.00 per eligible rental car transaction day. The authority to collect Customer Facility Charges is pursuant to transportation ground rules promulgated by RIAC and Section 1-2-1.1 of the Rhode Island General Laws. During fiscal year 2017, CFC revenues including audit recoveries were \$5.821 million as compared to \$6.056 million in fiscal year 2016, and \$5.925 million in fiscal year 2015. The table below reflects the CFC collections for Fiscal Years 2013 through 2017:

HISTORICAL CUSTOMER FACILITY CHARGE (CFC) COLLECTIONS

Rhode Island Airport Corporation

T. F. Green Airport

Fiscal Year	CFC Collections ¹	% Increase/Decrease
2013	\$5,721,359	-
2014	\$5,463,755	-4.5%
2015	\$5,925,006	8.4%
2016	\$6,055,723	2.2%
2017	\$5,821,867	-3.9%

1 – CFC Collections may include additional CFC revenues resulting from internal RIAC audits of rental car agency records which revenues, if any, are recognized when such amounts become known.

Source: Rhode Island Airport Corporation

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service for the 2018 First Lien Refunding Bonds and the estimated repayment schedule for the outstanding 2006 TIFIA Bonds based on certain assumptions:

Bond Year Ending July 1	Outstanding Second Lien Debt Service	First Lien Principal	First Lien Interest	Total	Total First Lien and Second Lien Debt Service
2018	\$2,625,094	-	\$626,397	\$626,397	\$3,251,491
2019	2,625,094	\$1,095,000	1,833,356	2,928,356	5,553,450
2020	2,625,094	1,185,000	1,778,606	2,963,606	5,588,700
2021	2,625,094	1,285,000	1,719,356	3,004,356	5,629,450
2022	2,625,094	1,395,000	1,655,106	3,050,106	5,675,200
2023	2,625,094	1,510,000	1,585,356	3,095,356	5,720,450
2024	2,625,094	1,625,000	1,509,856	3,134,856	5,759,950
2025	2,625,094	1,750,000	1,428,606	3,178,606	5,803,700
2026	2,625,094	1,885,000	1,341,106	3,226,106	5,851,200
2027	2,625,094	2,020,000	1,246,856	3,266,856	5,891,950
2028	2,625,094	2,170,000	1,145,856	3,315,856	5,940,950
2029	2,625,094	2,325,000	1,037,356	3,362,356	5,987,450
2030	2,625,094	2,440,000	964,700	3,404,700	6,029,794
2031	2,625,094	2,615,000	842,700	3,457,700	6,082,794
2032	2,625,094	2,790,000	711,950	3,501,950	6,127,044
2033	2,625,094	2,975,000	572,450	3,547,450	6,172,544
2034	2,625,094	3,180,000	423,700	3,603,700	6,228,794
2035	2,625,094	3,380,000	264,700	3,644,700	6,269,794
2036	2,625,094	3,560,000	137,950	3,697,950	6,323,044
2037	5,512,698				5,512,698
2038	5,512,698				5,512,698
2039	5,512,698				5,512,698
2040	5,512,698				5,512,698
2041	5,512,698				5,512,698
2042	5,512,698				5,512,698
	<u>\$82,952,976</u>	<u>\$39,185,000</u>	<u>\$20,825,966</u>	<u>\$60,010,966</u>	<u>\$142,963,941</u>

Note: Figures may not add exactly due to rounding

Source: Rhode Island Airport Corporation

DEBT SERVICE COVERAGE

Presented below is a table setting forth historical Facility Revenues and debt service coverage with respect to the outstanding Series 2006 Bonds and TIFIA Bonds for fiscal years 2013 through 2017.

(Fiscal Years Ending June 30)						
		2013	2014	2015	2016	2017
Facility Revenues	[A]	\$7,395,035	\$7,261,224	\$7,811,008	\$7,773,044	\$7,527,431
Less: Operating and Maintenance Costs	[B]	(1,264,155)	(1,383,646)	(1,553,372)	(1,314,020)	(1,352,973)
Net Facility Revenues	[C]=[A]+[B]	\$6,130,880	\$5,877,578	\$6,257,636	\$6,459,024	\$6,174,458
Plus: Investments Income	[D]	23,741	7,167	25,338	72,419	171,066
Pledged Revenues	[E]=[C]+[D]	\$6,154,621	\$5,884,745	\$6,282,974	\$6,531,443	\$6,345,524
Debt Service						
Series 2006 Bonds - First Lien	[F]	\$3,063,963	\$3,095,963	\$3,142,963	\$3,175,713	\$3,214,713
TIFIA Bond - Second Lien	[G]	2,185,051	2,185,051	2,185,051	2,185,051	2,185,051
TOTAL DEBT SERVICE	[H]=[F]+[G]	\$5,249,014	\$5,281,014	\$5,328,014	\$5,360,764	\$5,399,764
Debt Service coverage ratio -						
First Lien Obligations	[E]/[F]	2.01	1.90	2.00	2.06	1.97
Debt Service coverage ratio -						
First and Second Lien						
Obligations	[E]/[H]	1.17	1.11	1.18	1.22	1.18

Source: Rhode Island Airport Corporation

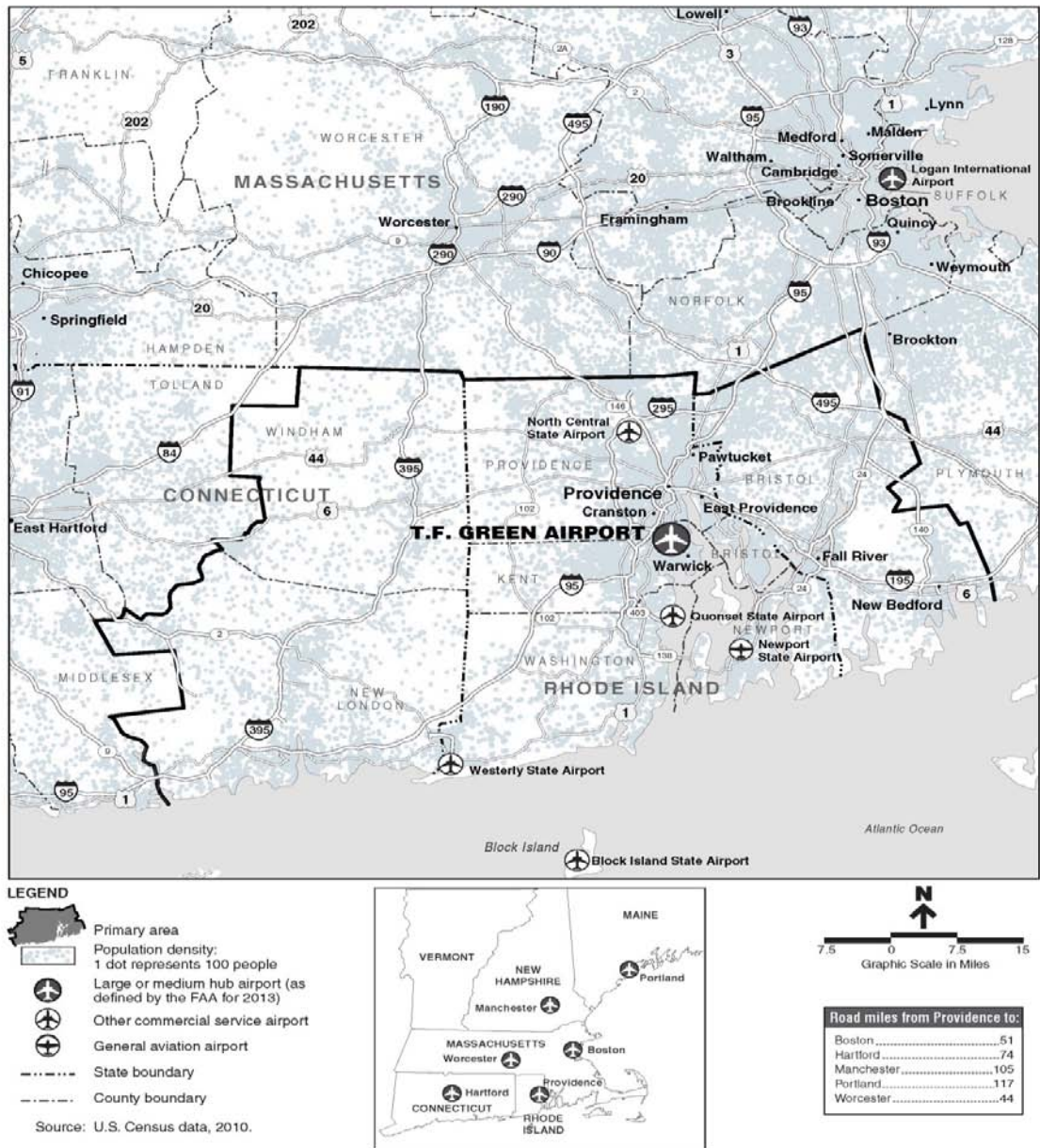
THE AIRPORT

The Air Trade Area

The Airport is located in the City of Warwick, Rhode Island, approximately eight miles south of downtown Providence, the State capital. The Airport service region comprises a primary area consisting of the State of Rhode Island, New London and Windham counties in Connecticut and Bristol County in Massachusetts and a large secondary area surrounding the primary area, as shown on the map on the following page. The primary area is defined as the area surrounding the Airport, whose population and economic activity generate the majority of the Airport's passenger traffic. The population of these governmental entities was approximately two million in 2010. In 2015, the State of Rhode Island, which constitutes the majority of the primary air traffic area, had real per capita income of \$47,187 versus \$46,069 for the United States as a whole. Based on location, accessibility, and services available at other commercial service airports within nearby service areas, it is recognized that the area served by the

Airport extends to a secondary air trade area. The borders of this extended service area are established by Boston's Logan International Airport to the northeast and Hartford's Bradley International Airport to the west. Passengers in the secondary air trade area use the Airport as an alternative to other airports in the region, primarily Boston's Logan International Airport.

AIR TRADE AREA MAP



The State Lease Agreement

Pursuant to the State Lease Agreement, RIAC has leased the Airports from the State for a term ending June 30, 2046 at a rental of \$1.00 per year. RIAC has also acquired all of the personal property and other assets of the State located at or relating to the Airports. In consideration of RIAC's assumption of RIDOT's responsibilities with respect to the Airports, the State and RIDOT have assigned to RIAC all of their rights to the revenues of the Airports, the proceeds of State G.O. Bonds related to the Airports, FAA grant agreements, a Build America Bureau grant, insurance proceeds, all contracts including concession agreements and the prior airline agreements, and all licenses and permits. The State has used proceeds from certain of its General Obligation Bonds for Airport purposes (the "State G.O. Bonds"). Such amounts included approximately \$28 million of funding for construction of the new T.F. Green Airport terminal. Under the State Lease Agreement, RIAC has agreed to reimburse the State for State G.O. Bond debt service accruing after July 1, 1993, to the extent of available moneys in the Airport General Purpose Fund which are not required to pay capital improvements at the Airport or General Aviation Airports Operating Expenses. In the event there are not sufficient moneys to reimburse the State currently, such event shall not constitute an Event of Default. Instead, the unpaid portion shall accrue and be payable in the next succeeding Fiscal Year and shall remain a payment obligation of RIAC until paid in full. If the unpaid portion is not reimbursed by the end of the following year, such failure could constitute an Event of Default on the part of RIAC under the State Lease Agreement. RIAC is current in all of its payment obligations to the State. As of June 30, 2017, approximately \$275,000 State G.O. Bonds allocable to the Airports were outstanding.

In the event of a conflict between the provisions of the State Lease Agreement and the Indenture, the provisions of the Indenture prevail.

Airport Facilities

The terminal complex including access roads and related improvements was completed in September 1996 and replaced the prior terminal which was demolished. The terminal building is named the Bruce Sundlun Terminal at T.F. Green Airport (Terminal). The Terminal at the time of its opening was a two level facility of approximately 302,000 square feet including fifteen jet gates and one commuter gate. In 1998, the Terminal was expanded to add four new jet gates and one new commuter gate. As a result of the expansion, the Terminal space increased to approximately 350,000 square feet with a capacity of nineteen jet gates and two commuter gates for a total of twenty-one gates.

The Terminal has passenger concourses that extend to the north and south of the central terminal area. Facilities for departing passengers are located on the second level where ticket counters, baggage checks, departure lounges and concessions (such as restaurants and news/gift stands) are located. On the second level, passengers pass through the central terminal area and then through the security checkpoint. From there, departing passengers take the concourse to the appropriate hold room and gate. Arriving international passengers utilize a Federal Inspection Services (FIS) Facility which is conveniently located on the first level of the Terminal.

A major terminal improvement project at the Airport was completed in 2008 to minimize congestion, ease circulation, improve security procedures, and enhance concessions. The expansion and improvement project increased the Terminal to approximately 402,000 square feet. As of June 30, 2017, airlines serving the Airport lease approximately 80,000 square feet of exclusive and preferential use area and approximately 60,000 square feet of common use area.

A total of approximately 7,050 public parking spaces are available on Airport property. They are divided as follows: a short term lot in front of the Terminal (Lot D) with approximately 450 spaces; a parking garage with approximately 1,500 spaces (Garage A); a garage with 740 spaces (Garage B); and an express lot with approximately 4,360 spaces with the ability to add overflow capacity, if needed (Lot E). Garage A, Garage B, Lot D and Lot E (RIAC controlled parking facilities) are operated pursuant to a parking management agreement with SP Plus Corporation, formerly Standard Parking Corporation. In addition, a privately-owned parking garage with approximately 1,500 spaces is located on private land immediately adjacent to the Airport's parking facilities. Pursuant to an agreement with the owners of the property and the garage, RIAC provided an easement to allow access between the Airport roadway system and this garage. RIAC receives a percentage of the gross revenues from the garage, currently 12%.

Public vehicular access is provided by a roadway system that directs vehicular traffic from Post Road and Interstate Route 95 to the Terminal curbs. These roads connect to a dual-level curb system accommodating arriving and departing passengers. When approaching the Terminal, the roadway divides into an upper level for departing passengers and a lower level for arriving passengers. The upper level includes a curb to provide an unloading area for private vehicles,

taxis, limousines, rental car companies and hotel shuttles. The lower level roadway includes a curbside designated as loading zones for private vehicles and various commercial vehicles such as buses, courtesy vans, taxis and limousines.

The present airfield configuration consists of two intersecting runways, Runway 5/23 and Runway 16/34. Other facilities at the Airport include: fuel storage areas, facilities for fixed base operators, certain rental car service facilities, air freight and air cargo facilities, various hangars and other aviation-related facilities.

In addition to the Airport, RIAC also operates five general aviation airports. Westerly and Block Island Airports are both classified as commercial service airports by the FAA, each enplaning approximately 10,000 passengers annually. North Central and Quonset Airports are both classified as reliever airports. Newport Airport is classified as a general aviation airport.

Connecting Ratio at the Airport

The Airport is primarily an origination - destination airport. In recent years, approximately 99% of the passengers at the Airport either began or ended their journeys at the Airport.

Historical Enplanement Data

The Airport is classified by the FAA as a small air traffic hub facility based on its percentage of nationwide enplanements. According to the latest data published by the FAA, the Airport was the 64th busiest in the country in terms of enplaned passengers in calendar year 2016. This compares with rankings of 64th busiest for calendar years 2015 and 2014 and 63rd busiest in calendar years 2013 and 2012.

Actual enplaned passengers for fiscal year 2017 were 1,827,738 resulting in an increase of 0.4% from 2016. The following table depicts the historical trend of enplaned passenger traffic at T. F. Green Airport for the fiscal years 2013 through 2017.

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**HISTORICAL ANNUAL ENPLANEMENTS
T.F. GREEN AIRPORT (FISCAL YEAR ENDED JUNE 30)**

Fiscal Year	Airport Enplanements	% Increase/Decrease
2013	1,853,705	-
2014	1,846,176	-0.4%
2015	1,776,424	-3.8%
2016	1,820,223	2.4%
2017	1,827,738	0.4%

Source: Rhode Island Airport Corporation

FY 2017 YTD through November 30	803,519	-
FY 2018 YTD through November 30	916,700	14.1%

Airline Market Shares of Enplaned Passengers. For Fiscal Year 2017, Southwest and American Airlines accounted for approximately 46.2 percent and 25.6 percent respectively of enplanements at the Airport, respectively. Other carriers whose individual enplanement shares were greater than five percent of total Airport enplanements in Fiscal Year 2017 include Delta carriers, United carriers, and JetBlue.

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HISTORICAL ENPLANEMENTS BY AIRLINE

Airline	FY 2013		FY 2014		FY 2015		FY 2016		FY 2017	
	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share	Enplanements	Share
Southwest Airlines	901,523	48.6%	846,069	45.8%	821,121	46.2%	848,269	46.6%	844,424	46.2%
American Airlines formerly US Airways ¹	431,248	23.3%	444,384	24.1%	419,757	23.6%	429,290	23.6%	468,739	25.6%
Delta Air Lines ¹	236,344	12.7%	234,957	12.7%	230,285	13.0%	229,170	12.6%	216,153	11.8%
United Airlines ¹	187,621	10.1%	185,289	10.0%	150,887	8.5%	150,444	8.3%	140,444	7.7%
JetBlue Airways	83,266	4.5%	127,320	6.9%	140,108	7.9%	140,260	7.7%	133,441	7.3%
TACV - Cabo Verde Airlines	-	0.0%	-	0.0%	1,535	0.1%	11,362	0.6%	10,697	0.6%
Condor Flugdienst Airlines	-	0.0%	-	0.0%	944	0.1%	4,868	0.3%	2,899	0.2%
SATA International - Azores Airlines	-	0.0%	-	0.0%	-	0.0%	144	0.0%	2,321	0.1%
Norwegian Air Shuttle ASA	-	0.0%	-	0.0%	-	0.0%	-	0.0%	905	0.0%
All Others ²	13,703	0.7%	8,157	0.4%	11,787	0.7%	6,416	0.4%	7,713	0.4%
Airport Total	1,853,705	100.0%	1,838,019	100.0%	1,776,424	100.0%	1,820,223	100.0%	1,827,736	100.0%

¹ Includes mainline carrier and its regional affiliates.

² Consists of airlines no longer serving the Airport and/or charter airlines.

Source: Rhode Island Airport Corporation

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The 2018 First Lien Refunding Bonds are special and limited obligations of the Corporation, payable solely from and secured exclusively by the Trust Estate including Facility Revenues and other items of income. See "SOURCES OF PAYMENTS AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS."

General

The following section describes certain risk factors affecting the payment of and security for all Obligations outstanding under the Trust Indenture, including the 2018 First Lien Refunding Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the 2018 First Lien Refunding Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following specific factors along with all other information described elsewhere or incorporated by reference in this Official Statement in evaluating the 2018 First Lien Refunding Bonds.

Considerations Concerning the Rental Car Industry

General. Rental car demand at the Airport, and the number or rental car transaction days to which the Customer Facility Charge will be applied, is correlated to airline passenger travel. The number of rental car transaction days is generally a function of the number of visitor arrivals to the Airport, the ratio of number of rental car transactions divided by number of visitors, and average duration of each rental car transaction. Other factors may include cost of rental cars, alternative means of transportation and availability of rental cars. See "Factors Affecting Customer Facility Charge Transaction Days" below.

Rental Car Companies. Receipts from the collection of the Customer Facility Charge are dependent on the ability of the rental car companies or any new rental car companies to provide a competitive product to potential customers at the Airport. This ability may be affected by factors beyond their control, including the cost and resale value of cars. Competitive factors have limited the profitability of rental car companies in past years, and some rental car companies and franchises have ceased operations or have been acquired by other companies. Prospective purchasers of the 2018 First Lien Refunding Bonds should consider the potential effects of the rental car industry as a whole upon the collections of the Customer Facility Charge to pay debt service on the 2018 First Lien Refunding Bonds.

Concentration of Rental Car Companies. The Airport has entered into Concession Agreements with three rental car companies representing ten rental car brands. The concentration of the rental car business in a small number of corporate entities amplifies the risk from factors that may impact the operations and activities of the rental car companies.

Considerations under the Bankruptcy Code. In the event a bankruptcy case is filed with respect to an Intermodal RAC, a bankruptcy court could reject the Concession Agreement. In such event, such Intermodal RAC would be in default under its Concession Agreement permitting RIAC to cancel such agreement and remove such Intermodal RAC from possession and occupancy of the Intermodal Facility. In such circumstances, while rental car demand would not be affected, Facility Revenues could be affected if other Intermodal RACs are unable to increase their capacity to accommodate additional customers.

Similarly, if any airline executing a lease and use agreement with the Airport were to file for protection in the future under the bankruptcy law, it (or a trustee on its behalf) would have the right to seek rejection of its lease and use agreement, which could have a negative impact on passenger activity at the Airport, the number of persons renting motor vehicles at the Airport and the collection of CFCs.

Factors Affecting Customer Facility Charge Transaction Days

In addition to the number of visitors, other factors affecting the number of Customer Facility Charge transaction days include: (1) visitor characteristics, (2) cost of car rentals, (3) alternative means of transportation, and (4) availability of rental cars. Ride hailing services Uber and Lyft companies currently offer transportation services at the Airport, utilizing a designated area in the Airport's short-term parking lot to meet customers. Rail service is also available at the Interlink facility northbound to Providence, Rhode Island and Boston, Massachusetts and southbound to Wickford, Rhode Island. The continued development of driverless cars may also affect the number of Customer Facility Charge transaction days. Neither the Corporation nor RIAC is able to predict whether any of the factors described herein will negatively impact the number of Customer Facility Charge transaction days.

Considerations Concerning Customer Facility Charges

No assurance can be given that the Customer Facility Charge will actually be received in the amount or at the time contemplated by RIAC. The amount of actual Customer Facility Charge receipts will vary depending on actual levels of rental car customers, which in turn depends on passenger enplanements at the Airport.

Dilution of First-Lien Security Upon Bankruptcy-Related Event

As detailed under “SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS – Default and Remedies – 2006 TIFIA Bond Default Remedy,” upon the occurrence of a Bankruptcy-Related Event under the TIFIA Loan Agreement and the Indenture while TIFIA owns the 2006 TIFIA Bond, the 2006 TIFIA Bond will be deemed to be a First Lien Obligation, and the USDOT will be deemed to be the Secured Owner of such First Lien Obligation. In such event, the 2006 TIFIA Bond would be secured by and payable from the Trust Estate (except for the First Lien Debt Service Reserve Fund) on a basis equal to that of other Outstanding First Lien Obligations.

Limitation and Enforceability of Remedies

Limitation of Remedies Under the Indenture. The remedies available to Owners of the 2018 First Lien Refunding Bonds upon an Event of Default under the Indenture are limited to the seeking of specific performance or a writ of mandamus or other suit, action or proceeding compelling and requiring the Corporation and its officers to observe and perform any covenant, condition or obligation prescribed in the Indenture. ***NO ACCELERATION REMEDY IS AVAILABLE TO OWNERS OF THE 2018 FIRST LIEN REFUNDINGS BONDS.*** See “SOURCES OF PAYMENT AND SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS – Default and Remedies.”

Enforceability of Remedies. The remedies available under the Indenture are in many respects dependent upon regulatory and judicial actions that are often subject to discretion and delay. Under existing law, such remedies may not be readily available. In addition, enforcement of such remedies (i) may be subject to general principles of equity which may permit the exercise of judicial discretion, (ii) are subject to the exercise in the future by the State and its agencies and political subdivisions of the police power inherent in the sovereignty of the State, (iii) are subject, in part, to the provisions of the United States Bankruptcy Act and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and (iv) are subject to the exercise by the United States of the powers delegated to it by the federal Constitution. The various legal opinions to be delivered concurrently with the delivery of the 2018 First Lien Refunding Bonds will be qualified to the extent that the enforceability of certain legal rights related to the 2018 First Lien Refunding Bonds is subject to limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

Determination of Taxability

Failure of Corporation or RIAC to comply with certain tax covenants could cause interest on the 2018 First Lien Refunding Bonds to lose the exclusion from gross income for federal income tax purposes, as described in the "Tax Exemption" section herein.

Events of Force Majeure

Operation of the Intermodal Facility is at risk from events of force majeure, such as earthquakes, tornados, hurricanes or other natural disasters, epidemics, blockades, rebellions, war, riots, acts of sabotage, terrorism or civil commotion, and spills of hazardous materials, among other events.

General Factors Affecting Airline Activity

Numerous factors affect air traffic generally and air traffic at the Airport more specifically. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of economic activity in the service area, and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination; the financial condition, cost structure and hubbing strategies of the airlines serving an airport; the price of fuel, the cost of operating at an airport, and any operating constraints (due to capacity,

environmental or other factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport. In addition, public health risks, hostilities or the threat of terrorist attacks may dampen air traffic.

Factors Affecting Aviation and the Airline Industry

Key factors that affect airline traffic at the Airport and the financial condition of the airlines include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

General Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and contributed to reduced airline travel demand in those years. With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service.

Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. Between 2008 and 2009, the U.S. economy experienced a recession, which was followed by weak economic growth. More recently, the significant improvement in economic conditions in the U.S. has contributed to the rebound in aviation activity levels nationwide. It is not known at this time whether the improving national unemployment rate or the positive rate of economic growth will continue beyond 2017 and what effect, if any, they will have on the air transportation industry.

Growth of Low Cost Carriers

Low cost carriers (“LCCs”) are carriers that take advantage of an operating cost structure that is significantly lower than the cost structure of the network carriers. These advantages can include lower labor costs, greater labor flexibility, a streamlined aircraft fleet (i.e., fewer different types of aircraft in a given airline’s fleet) and a generally more efficient operation.

These low costs suggest that the LCCs can offer a lower fare structure to the traveling public than network carriers while still maintaining profitability. In calendar year 2014, LCCs provided approximately 28% of the airline seat capacity in the U.S. market. As the larger U.S. carriers consolidated and became more focused on capacity discipline, fare increases took hold. LCCs began to emerge in larger markets where passenger levels were high enough for the LCCs to overcome certain barriers to entry caused by the larger carriers such as, for example, control of the majority of airport gates and slots. The cost structure of LCCs allows for lower fares, which has stimulated traffic and driven LCCs into more and larger markets. One result of the consolidation of carriers and their capacity discipline and the associated fare increases is that certain price-sensitive travelers are flying less. Recently, these budget conscious flyers have emerged as an underserved segment which has helped to expand the LCC market to include the ultra-low cost carriers, such as Allegiant Airways and Spirit Airlines.

Airline Service and Routes

Most large airports serve as gateways to their communities and as connecting points. The number of origin and destination passengers at an airport depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided. The number of connecting passengers, on

the other hand, depends entirely on the airline service provided. Most passengers at the Airport are origin and destination passengers rather than connecting between flights.

The network airlines have developed hub-and-spoke systems that allow them to offer high-frequency service in many city-pair markets. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been or is being drastically reduced at many former connecting hub airports, including those serving St. Louis (American Airlines 2003-2005), Dallas-Fort Worth (Delta Air Lines 2005), Pittsburgh (US Airways 2006-2008), Las Vegas (US Airways 2007-2010), Cincinnati (Delta Air Lines 2009-2011), Memphis (Delta Air Lines 2011-2013), and Cleveland (United Airlines 2014).

The United States has pursued a policy of open skies civil aviation relationships with our international partners since 1992. The U.S. has signed more than 100 open skies agreements ("Open Skies Agreements") with various countries and the European Union since that time. Open Skies Agreements do this by eliminating government interference in the commercial decisions of air carriers about routes, capacity, and pricing, freeing carriers to provide more affordable, convenient, and efficient air service for consumers.

Structural Changes in the Travel Market

Many factors have combined to alter consumer travel patterns. The threat of terrorism against the United States remains high. As a result, the federal government has mandated various security measures that have resulted in new security taxes and fees and longer passenger processing and wait times at airports. Both add to the costs of air travel and make air travel less attractive to consumers relative to ground transportation, especially to short-haul destinations. Additionally, consumers have become more price-sensitive. Efforts of airlines to stimulate traffic by heavily discounting fares have changed consumer expectations regarding airfares. Consumers have come to expect extraordinarily low fares. In addition, the availability of fully transparent price information on the Internet now allows quick and easy comparison shopping, which has changed consumer purchasing habits. Consumers have shifted from purchasing paper tickets from travel agencies or airline ticketing offices to purchasing electronic tickets over the Internet. This has made pricing and marketing even more competitive in the U.S. airline industry. Finally, smaller corporate travel budgets, combined with the higher time costs of travel, have made business customers more amenable to communications substitutes such as tele- and video-conferencing.

Public Health Risks

Public health concerns also have affected air travel demand from time to time. In 2003, concerns about the spread of severe acute respiratory syndrome ("SARS") led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, concerns about the spread of influenza caused by the H1N1 virus reduced certain international travel, particularly to and from Mexico and Asia. More recently, following an outbreak of the Ebola virus in West Africa in 2014, concerns about the spread of the virus have adversely affected travel to and from certain regions of Africa.

In January 2016, the Centers for Disease Control and Prevention issued a travel alert warning pregnant women to avoid travel to areas where the Zika virus, which has been linked to a type of birth defect called microcephaly, is spreading, a list that currently includes 22 countries and territories.

Travel behavior may be affected by anxieties about the safety of flying, the inconveniences and delays associated with more stringent security screening procedures, the potential exposure to severe illnesses and natural disasters (such as volcano eruptions, earthquakes and tsunamis), all of which could lead to the avoidance of airline travel or the use of alternate modes of transportation.

Availability and Price of Aviation Fuel

According to Airlines for America, an airline trade group, fuel has been the largest single cost component for most airline operations, and therefore an important and uncertain determinant of an airline's economics. In recent years, fuel prices increased as a result of rising global demand and political instability in oil producing countries in the Middle East and North Africa until 2014 when prices declined, in part, due to excess supply, continued growth in U.S. oil production, and weakening outlooks for the global economy and oil demand growth. In recent years, some airlines have passed the higher fuel costs to consumers by imposing fuel surcharges, increasing the price of airfares and associated services, or reducing capacity, fleet and personnel. While there has recently been a significant decrease in the cost of aviation fuel reflecting

continued growth in U.S. oil productions, strong global supply and weakening outlooks for the global economy, supply and demand dynamics still affect fuel costs and any increase generally causes an increase in airline operating costs.

If aviation fuel prices climb, it is likely to have an adverse impact on the air transportation industry by increasing airline operating costs, hampering airline financial recovery plans, affecting airline passenger numbers, and reducing airline profitability. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change. The Corporation and the Airport are not able to predict how continued uncertainty with respect to the cost, availability and volatility of prices of aviation fuel will impact the Airport or the airlines operating at the Airport.

Effect of Airline Bankruptcies

Since 2001, several airlines with operations at the Airport have filed for and have subsequently emerged from bankruptcy protection, including United Airlines, Continental Airlines, Delta Air Lines, US Airways, and American Airlines. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. The Airport's stream of payments from a debtor airline could be interrupted to the extent of unpaid fees for pre-petition goods and services, including accrued rent and landing fees. The Airport actively monitors past due balances to minimize any potential losses due to such proceedings, aggressively pursues overdue amounts and bankruptcy claims, and includes an allowance for uncollectible debts in its landing fee and terminal rental rates.

Impact of Uncertainties of the Airline Industry on the Airport

The demographic and economic characteristics of the Air Service Area comprise the underlying components of air transportation demand for passengers and commercial goods at the Airport. These demand components are affected by individual airline decisions regarding air service, hubbing operations and fleet mix. The financial strengths of airlines serving the Airport also are key determinants of future airline traffic. In addition, individual airline decisions regarding levels of service, particularly by Southwest Airlines, will affect total enplanements.

There is no assurance that the Airport, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. The continued presence of the airlines serving the Airport and the levels at which that service will be provided, depend on a wide variety of factors, many of which are described or referenced in this Official Statement. Hence, RIAC cannot assure investors as to the levels of aviation activity that will be achieved at the Airport.

Sluggish recovery from the 2008-2009 recession and historically high fuel prices, among other things, resulted in airlines raising fares, adding new fees and surcharges while reducing capacity and the size of their fleets, as well as personnel. In response to these competitive pressures and other factors, the U.S. airline industry has continued to consolidate, significantly reducing the number of major airlines operating in the United States. Since 2008, various airlines have merged or consolidated, including Delta and Northwest; Republic Airways Holdings, Inc., Midwest Airlines, and Frontier Airlines; United and Continental; Southwest Airlines and AirTran Airways; and US Airways and American Airlines. It is possible the airlines serving the Airport could further consolidate operations through acquisition, merger alliances and code share sales strategies. The effect of this concentration is that only five major passenger carriers are Signatory Airlines under the Airline Agreement. As a consequence, decisions concerning future utilization of the Airport have become more concentrated over time. While such mergers have had an effect, the Airport expects recent and future mergers will have little impact on revenues and landed weight at the Airport. Future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines. Such decreases could result in reduced Revenues, reduced PFC revenues and/or increased costs for the other airlines serving the Airport.

Neither the Corporation nor the Airport is able to predict whether any future airline mergers, consolidations, reorganizations or liquidations will occur or the impact that any such events may have on the operations of the Airport.

Role of Southwest Airlines

Southwest Airlines is the leading carrier operating at the Airport. Southwest Airlines, accounted for approximately 46.2% of passenger enplanements at the Airport in Fiscal Year 2017. Additionally, Southwest Airlines leases 4 of the 19 full service jet gates at the Airport.

Information regarding the financial condition of Southwest Airlines can be found in SEC filings made by Southwest Airlines. See "Airlines Subject to Airline Agreement below." No assurances can be given concerning the present or future financial viability of Southwest Airlines.

Any significant financial or operational difficulties incurred by Southwest Airlines may have a material adverse effect on RIAC's revenues and the Airport.

Aviation Security Concerns

The terrorist attack of September 11, 2001, the conflicts in Iraq and Afghanistan and the threat of more terrorist attacks generally decreased passenger traffic levels at the Airport and nationally in the years immediately after 2001. The Corporation and RIAC cannot assess the threat of terrorism and the probability of another attack on American soil or against Americans traveling abroad. Should new attacks occur against the air transportation industry, the travel industry, cities, utilities, infrastructure, office buildings or manufacturing plants, the effects on travel demand could be substantial.

The conflicts in Iraq and Afghanistan had a negative effect on air travel domestically and internationally. As a result of the conflicts and related terrorist threats, airlines significantly reduced the number of transatlantic flights and airline revenues and cash flow were adversely affected. Uncertainty associated with hostilities and the increased threats of future terrorist attacks may continue to have an adverse impact on air travel in the foreseeable future.

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred in the Middle East), terrorist attacks, increased threat levels declared by the Department of Homeland Security and world health concerns such as the SARS outbreak in 2003, the outbreak of H1N1 influenza (commonly known as "swine flu") in 2009, Ebola in 2014 and Zika in 2016 may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Information Concerning the Airlines

The information included under this caption is for informational purposes only and is not deemed incorporated into this Official Statement by reference.

Certain of the airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the SEC. Certain information, including financial information, concerning such airlines (or their respective parent corporations) is disclosed in reports and statements filed with the SEC. Such reports and statements can be inspected and copies obtained at prescribed rates at the SEC's principal offices at 100 F Street, N.E., Washington, D.C. 20549, and should be available for inspection and copying at the SEC's regional offices located at 233 Broadway, New York, New York 10279, and 500 W. Madison Street, Suite 1400, Chicago, Illinois 60661. The public may obtain information on the hours of operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. Some of the airlines are required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, DOT, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depositary Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments or foreign corporations file limited information only with the DOT.

Because of the constant flow of financial information regarding domestic airlines and the volatility of their financial condition and that of the air transportation industry, potential investors are urged to review the financial information filed by the airlines serving the Airport. However, potential investors are also advised that RIAC has no responsibility for the completeness or accuracy of information available from any airline, the DOT, the SEC or any bankruptcy court, including, but not limited to, updates of information on an airline's, the DOT's, the SEC's or a bankruptcy court's respective Internet sites or links to other Internet sites accessed through an airline's, the DOT's, the SEC's or a bankruptcy court's site.

RIAC, the Corporation, and the Underwriter make no representations or assurances regarding the information prepared and filed by any airline with the SEC or its continued operations at the Airport. No airline has participated in the preparation of this Official Statement or makes any representation as to the accuracy or completeness of the information contained in this Official Statement.

Intermodal Insurance Coverage

Under the Indenture, the Corporation and RIAC covenant to maintain insurance against physical loss or damage, however caused, with such exemptions as are ordinarily required by insurance companies, in such amount as it shall deem reasonable but in any event sufficient to comply with any legal or contractual requirement which, if breached, would result in the assumption by the Corporation or RIAC of a portion of any loss or damage as co-insurer. In the event of any loss or damage to the Intermodal Facility in excess of \$1,000,000, the proceeds of such insurance shall be deposited to the credit of the Construction Fund and use to repair or rebuild the Intermodal Facility and to restore the same, as nearly as possible, to the condition which existed immediately prior to such damage or destruction, or used to redeem Outstanding Obligations, at the election of the Corporation. Pursuant to this covenant, RIAC maintains the following levels of insurance to the extent such risks are governed by governmental tort immunities.

Liability. RIAC purchases general liability coverage providing coverage for bodily injury and property damage arising from aviation operations at the Airports. The policy contains several sublimits related to items such as war liability and personal and advertising injury liability.

Commercial Property. RIAC purchases commercial property coverage insuring real property, personal property and business interruption. This program includes flood and earthquake insurance, boiler and machinery insurance and terrorism coverage. This policy includes various coverages at specified limits and sublimits based on location with commercially reasonable deductibles.

There is no assurance that RIAC's insurance coverage listed above will be available to or obtained by RIAC in the future.

Forward Looking Statements

This Official Statement may contain statements related to future results that are "forward looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake the timing or the cost of certain projects. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

LITIGATION

There is no litigation pending in any court or, to best of the knowledge of the Corporation or RIAC, threatened, questioning the corporate existence of the Corporation or RIAC, or the title of the present Directors or Officers of the Corporation or RIAC to their respective offices, seeking to restrain or enjoin the issuance or delivery of the 2018 First Lien Refunding Bonds, or concerning the proceedings of the Corporation or RIAC taken in connection with the 2018 First Lien Refunding Bonds or the pledge of the Trust Estate or application of any Net Revenues provided for their payment or contesting the powers of the Corporation or RIAC with respect to the foregoing.

Pursuant to the State Lease Agreement, the State and RIDOT retained all liability with respect to litigation pending or threatened as of July 1, 1993 or arising after July 1, 1993 by reason of or in connection with the administration, maintenance, management, regulation, operation, improvement, development, or use of the Airports prior to July 1, 1993.

There are no actions currently pending against RIAC which, if decided against RIAC, would have a material adverse effect on the finances or operations of RIAC.

On March 7, 2016, the United States Securities and Exchange Commission (SEC) filed a complaint in the United States District Court for the District of Rhode Island charging the Rhode Island Commerce Corporation and Wells Fargo Securities with defrauding investors in a municipal bond offering, issued to finance 38 Studios, a startup video game company, and certain individuals, including an employee of Wells Fargo and the former Executive Director and Deputy Director of the Rhode Island Commerce Corporation, with aiding and abetting the fraud. According to a SEC news release, the former employees of the Rhode Island Commerce Corporation agreed to settle the charges without admitting or denying the allegations and must each pay a \$25,000 penalty. The Issuer reached a settlement with the SEC without admitting or denying the allegations contained in the complaint. As part of the conditions of the settlement, the Issuer is permanently enjoined from violating Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933 (the “Securities Act”) in the offer or sale of any securities and has paid a civil penalty in the amount of \$50,000 pursuant to Section 20(d) of the Securities Act. The settlement was approved by the U.S. District Court for the District of Rhode Island by entry of final judgment on April 3, 2017.

LEGAL MATTERS

Certain legal matters incident to the validity of the 2018 First Lien Refunding Bonds and the issuance thereof by the Corporation are subject to the approval of Mack Law Associates LLC Providence, Rhode Island, Bond Counsel, whose approving opinion (in the form attached hereto as APPENDIX D) will be delivered concurrently with the issuance of the 2018 First Lien Refunding Bonds. Certain legal matters will be passed upon for the Corporation by Shechtman Halperin Savage, LLP, Pawtucket, Rhode Island, for RIAC by its corporate counsel and for the Underwriter by its counsel, Harrington & Vitale, Ltd., Providence, Rhode Island.

TAX EXEMPTION

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2018 First Lien Refunding Bonds for interest thereon to be and remain excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2018 First Lien Refunding Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the 2018 First Lien Refunding Bonds. Pursuant to the Indenture, the Loan Agreements and a Tax Regulatory Agreement and the provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986 (the “Tax Certificate”), the Issuer and RIAC have covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2018 First Lien Refunding Bonds from gross income for Federal income tax purposes pursuant to Section 103 of the Code. In addition, the Issuer and RIAC have made certain representations and certifications in the Indenture, the Loan Agreement and the Tax Certificate. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Bond Counsel, under existing law and assuming compliance with the aforementioned covenants, and the accuracy of certain representations and certifications made by the Issuer and RIAC described above, interest on the 2018 First Lien Refunding Bonds is excluded from gross income for Federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Bond Counsel expresses no opinion as to whether interest on any portion of the 2018 First Lien Refunding Bonds is excluded from the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations, although Bond Counsel observes that it is included in adjusted current earnings in calculating corporate minimum taxable income for taxable years that began prior to January 1, 2018.

State Taxes

Bond Counsel is also of the opinion that the 2018 First Lien Refunding Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, are exempt from taxation by and within the State; although the 2018 First Lien Refunding Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, may be included in the measure of State estate taxes and certain State corporate and business taxes. Bond Counsel expresses no opinion as to other State or local tax consequences arising with respect to the 2018 First Lien Refunding Bonds nor as to the taxability of the 2018 First Lien Refunding Bonds or the income therefrom under the laws of any state other than the State.

Original Issue Discount

“Original Issue Discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2018 First Lien Refunding Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at the prescribed rates) over the issue price of that stated maturity. In general, the “issue price” of a maturity (an obligation with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e. a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the 2018 First Lien Refunding Bonds. In general, the issue price for each maturity is expected to be the initial public offering price set forth on the inside cover page of the Official Statement. Bond Counsel is further of the opinion that for any 2018 First Lien Refunding Bond having OID, (each, a “Discount Bond” and collectively the “Discount Bonds”) that has accrued and is properly allocable to the owners of the Discount Bond under Section 1288 of the Code, such OID is excluded from gross income for Federal income tax purposes to the same extent as interest on the 2018 First Lien Refunding Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued OID. The accrual of OID may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Discount Bonds, even though there will not be a corresponding cash payment. Owners of Discount Bonds are advised that they should consult with their own advisors with respect to the treatment of original issue discount for Federal income tax purpose, and state and local tax consequences of acquiring, owning, and disposing of Discount Bonds.

Original Issue Premium

2018 First Lien Refunding Bonds sold at purchase prices (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the 2018 First Lien Refunding Bonds after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) are “Premium Bonds”. In general, under Section 171 of the Code, an owner of a Premium Bond will have amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the owner’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the owner’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an owner who acquires Premium Bonds is required to decrease the adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. In certain cases, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the treatment of bond premium for Federal income tax purposes, and state and local tax consequences of acquiring, owning and disposing of Premium Bonds.

Ancillary Tax Matters

Ownership of the 2018 First Lien Refunding Bonds may result in other Federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the 2018 First Lien Refunding Bonds may also result in other Federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2018 First Lien Refunding Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the 2018 First Lien Refunding Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the 2018 First Lien Refunding Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any Federal tax matters other than those described in the opinion attached as APPENDIX D. Prospective investors, particularly those who may be subject to special rules described above, are

advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2018 First Lien Refunding Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the Federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2018 First Lien Refunding Bonds for Federal or state income tax purposes, and thus on the value or marketability of the 2018 First Lien Refunding Bonds. This could result from changes to Federal or state income tax rates, changes in the structure of Federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2018 First Lien Refunding Bonds from gross income for Federal or state income tax purposes, or otherwise. In this regard, there have been various proposals in recent years that would limit the extent of the exclusion from gross income of interest on obligations of states and political subdivisions under Section 103 of the Code for taxpayers whose income exceeds certain thresholds. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the Federal or state income tax treatment of holders of the 2018 First Lien Refunding Bonds may occur. Prospective purchasers of the 2018 First Lien Refunding Bonds should consult their own tax advisors regarding the impact of any changes in law on the 2018 First Lien Refunding Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2018 First Lien Refunding Bonds may affect the tax status of interest on the 2018 First Lien Refunding Bonds. Bond Counsel expresses no opinion as to any Federal, state or local tax law consequences with respect to the 2018 First Lien Refunding Bonds, or the interest thereon, if any action is taken with respect to the Series Refunding Bonds or the proceeds thereof upon the advice or approval of other counsel.

COVENANT BY THE STATE

Under the Act, the State pledges and agrees with the owners of the 2018 First Lien Refunding Bonds that the State will not limit or alter the rights vested in the Corporation until such 2018 First Lien Refunding Bonds, together with the interest thereon, are fully met and discharged; provided that nothing in the Act shall preclude limitation or alteration of such rights if and when adequate provisions shall be made by law for the protecting of the owners of such Bonds.

CONTINUING DISCLOSURE

The Underwriter has determined that no financial or operating data concerning the Corporation is material to any decision to purchase, hold or sell the 2018 First Lien Refunding Bonds and the Corporation will not provide any such information. RIAC has undertaken all responsibilities for any continuing disclosure to Bondowners or beneficial owners of the 2018 First Lien Refunding Bonds as described below, and the Corporation shall have no liability to the Bondowners or beneficial owners of the 2018 First Lien Refunding Bonds or any other person with respect to such disclosure.

On the date of delivery of the 2018 First Lien Refunding Bonds, RIAC will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") for the benefit of the beneficial owners of the 2018 First Lien Refunding Bonds to provide certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of the Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule") adopted by the SEC under the Securities Exchange Act, as amended (the "Exchange Act"). The MSRB has designed its electronic Municipal Market Access System, known as EMMA, as the system to be used for continuing disclosures to investors. The specific nature of the information to be made available and to be contained in the notices of material events is summarized in "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made to assist the Underwriter in complying with the Rule.

RIAC has determined that it is the only "Obligated Person" that is required to provide information for continuing disclosure purposes under the Rule. Consequently, no undertaking is being made by RIAC or any other party with respect to providing continuing disclosure as to any individual airline.

A failure by RIAC to comply with the provisions of the Continuing Disclosure Agreement will not constitute an Event of Default under the Agreement. Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2018 First Lien Refunding Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2018 First Lien Refunding Bonds.

During the last five years, RIAC has never failed to comply in all material respects with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual financial information and operating data relating to RIAC and, in a timely manner, notice of certain enumerated events. RIAC does note the following:

RIAC voluntarily participated in the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative and pursuant to MCDC disclosed that upon review of its continuing disclosure obligations, certain notices of ratings downgrades made by RIAC may not have been reported in a timely manner.

RIAC further notes that for FY14 and FY15, the annual report and financial information, although filed in a timely manner on EMMA, was not linked by the dissemination agent to RIAC's CUSIP numbers for its 2013 Series A/B Bonds. RIAC plans to regularly review with the dissemination agent the effectiveness of its procedures for the timely filing of such information and the linking of such information to RIAC's CUSIP numbers on a going forward basis, and to take prompt action to remedy any deficiencies of which it becomes aware.

RIAC was delinquent by two days on a payment of interest on the TIFIA Loan to the United States Department of Transportation. A payment of interest was due on July 1, 2014 and was not made until July 3, 2014 due to an administrative oversight, not through lack of funds. The registered owner waived the Payment Default by letter dated September 10, 2014. Measures are in place to ensure timely payments in the future.

RIAC makes no representations as to whether any Nationally Recognized Municipal Securities Information depository (each a "NRMSIR") or the EMMA System properly posted or maintained such information or whether any NRMSIR or the EMMA System associated such information with the correct CUSIP numbers with respect to any applicable Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Baa1" to the 2018 First Lien Refunding Bonds based upon RIAC's unenhanced creditworthiness. Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the 2018 First Lien Refunding Bonds a rating of "BBB+" based upon RIAC's unenhanced creditworthiness. An explanation concerning the significance of the rating given by each rating agency may be obtained from such rating agency. Certain information and materials not included in this Official Statement were furnished to the rating agencies. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. Such credit ratings reflect only the views of such rating agencies, and an explanation of the respective significance of such ratings may be obtained from the rating agencies. There is no assurance that such credit ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all of such rating agencies, if in their respective judgments circumstances so warrant. A revision or withdrawal of any such credit rating may have an adverse effect on the market price of the 2018 First Lien Refunding Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

FINANCIAL ADVISOR

RIAC has retained PFM Financial Advisors LLC (the "RIAC Financial Advisor") to serve as its financial advisor in connection with the issuance of the 2018 First Lien Refunding Bonds. The RIAC Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. RIAC may engage the RIAC Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of 2018 First Lien Refunding Bond proceeds. The Corporation has not retained a financial advisor in connection with the issuance of the 2018 First Lien Refunding Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Robert Thomas CPA, LLC (a Certified Public Accountant) of 8303 Cherokee Lane, Shawnee Mission, KS 66206 (the "Verification Agent"), will deliver to the Corporation and RIAC, on or before the settlement date of the 2018 First Lien Refunding 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 (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Government Obligations, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Rhode Island Economic

Development Corporation First Lien Special Facility Revenue Bonds (Rhode Island Airport Corporation Intermodal Facility Project Series 2006) and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the 2018 First Lien Refunding Bonds will be excluded from gross income for Federal income tax purposes.

The verification performed by the Verification Agent will be solely based upon data, information and documents provided to the Verification Agent by the Corporation and RIAC and its representatives. The Verification Agent has restricted its procedures to recalculating the computations provided by the Corporation and RIAC and its representatives and has not evaluated or examined the assumptions or information used in the computations.

UNDERWRITING

Citigroup Global Markets Inc., the Underwriter, has agreed, subject to certain conditions, to purchase the 2018 First Lien Refunding Bonds from the Corporation at a purchase price equal to \$42,568,981.54 (which represents the \$39,185,000.00 principal amount of the 2018 First Lien Refunding Bonds, plus net issue premium of \$3,529,416.35 and less an Underwriter's discount of \$145,434.81 and to make a bona fide public offering of the 2018 First Lien Refunding Bonds at not in excess of such public offering prices. The Underwriter will be obligated to purchase all of the 2018 First Lien Refunding Bonds if any of the 2018 First Lien Refunding Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions contained in a purchase contract and the approval of certain legal matters by counsel. The 2018 First Lien Refunding Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such 2018 First Lien Refunding Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time, by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Corporation for which they received or will receive customary fees and expenses.

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

FINANCIAL STATEMENTS

The audited financial statements of RIAC as of and for the fiscal years ended June 30, 2017 and June 30, 2016 have been included in APPENDIX A in this Official Statement in reliance upon the report of RSM, independent auditors. RSM, RIAC's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. RSM also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The descriptions of the Indenture, the Loan Agreement, and the Concession Agreements do not purport to be comprehensive or definitive, and prospective purchasers of the 2018 First Lien Refunding Bonds are referred to the Indenture, the Loan Agreement, and the Concession Agreements for the complete terms thereof. Copies of the Indenture, the Loan Agreement, and the Concession Agreements are available at the office of the Trustee and the Corporation. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

THE INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE CORPORATION AND RIAC AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS AND IS NOT TO BE CONSTRUED AS A REPRESENTATION, AS TO INFORMATION FROM SOURCES OTHER THAN THE CORPORATION OR RIAC, OF THE CORPORATION OR RIAC.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The agreements of the Corporation with holders of the 2018 First Lien Refunding Bonds are fully set forth in the Indenture. Neither any advertisement of the 2018 First Lien Refunding Bonds nor this Official Statement is to be construed as a contract with purchasers of the 2018 First Lien Refunding Bonds.

AUTHORIZATION OF OFFICIAL STATEMENT

The Corporation has reviewed the portions of this Official Statement describing it, including the section entitled "THE RHODE ISLAND COMMERCE CORPORATION," and "LITIGATION." At the closing, the Corporation will certify that such portions of this Official Statement do not contain an untrue statement of a material fact or omit a statement of material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

RIAC has reviewed the portions of this Official Statement describing it, "INTRODUCTION," "ESTIMATED SOURCES AND USES OF FUNDS," "ANNUAL DEBT SERVICE REQUIREMENTS," "SECURITY AND SOURCE OF PAYMENT FOR THE 2018 FIRST LIEN REFUNDING BONDS," "FLOW OF FUNDS," "THE RHODE ISLAND AIRPORT CORPORATION," "CONTINUING DISCLOSURE," "LITIGATION," and the portions of "INVESTMENT CONSIDERATIONS" relating to RIAC, APPENDIX B and APPENDIX C. At the closing, RIAC will certify that such portions of this Official Statement and APPENDIX B and APPENDIX C do not contain an untrue statement of a material fact or omit a statement of material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

The distribution of this Official Statement and its execution have been duly authorized by the board of directors of RIAC and the Corporation.

RHODE ISLAND COMMERCE CORPORATION

By: /s/ William Ash
William Ash
Managing Director of Financial Services

RHODE ISLAND AIRPORT CORPORATION

By: /s/ Iftikhar Ahmad
Iftikhar Ahmad
President and Chief Executive Officer

Appendix A – Financial Statements of Rhode Island Airport Corporation
for the years ended June 30, 2016 and June 30, 2017

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**Rhode Island Airport Corporation
(A Component Unit of the State
of Rhode Island)**

Financial Report
June 30, 2017

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Independent Auditor's Report

Independent Auditor's Report

To the Board of Directors
Rhode Island Airport Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, as of and for the fiscal years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the RIAC's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to RIAC's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Airport Corporation as of June 30, 2017 and 2016, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3-19, the schedule of RIAC's proportionate share of the net pension liability and the schedule of RIAC's contributions to the employee retirement system on pages 48 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise RIAC's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017 on our consideration of RIAC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control over financial reporting and compliance.

RSM US LLP

New Haven, Connecticut
October 26, 2017

Management's Discussion and Analysis - unaudited

INTRODUCTION

The following Management's Discussion & Analysis (MD&A) of the Rhode Island Airport Corporation (RIAC) serves as an introduction and overview to the reader of the audited financial statements for the fiscal years ended June 30, 2017 and June 30, 2016. The information contained in the MD&A should be considered in conjunction with the audited financial statements.

RIAC engages in business type activities, that is, activities that are financed in whole or in part by charges to external entities for goods or services rendered. As a result, RIAC's basic financial statements include the statements of net position, statements of revenues, expenses and change in net position, statements of cash flows and notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of RIAC's finances in a manner similar to that in the private sector.

RHODE ISLAND AIRPORT CORPORATION

RIAC was created by the Rhode Island Commerce Corporation (Commerce RI), on December 9, 1992 as a public corporation, governmental agency and public instrumentality, having a distinct legal existence from the State of Rhode Island (State) and Commerce RI, yet having many of the same powers and purposes as Commerce RI. RIAC is a component unit of the State. RIAC is empowered, pursuant to its Articles of Incorporation and Rhode Island law, to undertake the planning, development, management, acquisition, ownership, operation, repair, construction, reconstruction, rehabilitation, renovation, improvement, maintenance, development, sale, lease, or other disposition of any "airport facility", as defined in Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"). "Airport facility" is defined in the Act in part as "developments consisting of runways, hangars, control towers, ramps, wharves, bulkheads, buildings, structures, parking areas, improvements, facilities, or other real or personal property, necessary, convenient, or desirable for the landing, takeoff, accommodation, and servicing of aircraft of all types, operated by carriers engaged in the transportation of passengers or cargo, or for the loading, unloading, interchange, or transfer of the passengers or their baggage, or the cargo, or otherwise for the accommodation, use or convenience of the passengers or the carriers or their employees (including related facilities and accommodations at sites removed from landing fields or other areas), or for the landing, taking off, accommodation, and servicing of aircraft owned or operated by persons other than carriers".

Pursuant to the State Lease Agreement, RIAC leases T.F. Green Airport (Airport) and the five general aviation airports (collectively, Airports) from the State for a term ending June 30, 2046 at a rental of \$1.00 per year. RIAC has also acquired all of the personal property and other assets of the State located at or relating to the Airports. In consideration of RIAC's assumption of the Rhode Island Department of Transportation's (RIDOT) responsibilities with respect to the Airports, the State and RIDOT have assigned to RIAC all of their rights to the revenues of the Airports, the proceeds of State General Obligation (GO) Bonds related to the Airports, Federal Aviation Administration (FAA) grant agreements, a Federal Highway Administration grant, insurance proceeds, all contracts including concession agreements and the prior airline agreements, and all licenses and permits.

RIAC operates on a fiscal year basis beginning on July 1st and continuing through the following June 30th of each year. RIAC was created to operate as a self-sustaining entity. RIAC has utilized State GO Bonds issued on behalf of RIAC for the intended use at the Airports. Per the Lease Agreement, RIAC is obligated to repay to the State the principal and interest on any GO Bonds issued for airport purposes.

RIAC does not have the authority to issue bonds, notes, or to borrow money without the approval of Commerce RI. In addition, RIAC does not have the power of eminent domain with respect to real property. RIAC does have certain contractual rights under the Lease Agreement to require the State to exercise powers of eminent domain for the benefit of RIAC.

The Board of Directors of RIAC, consisting of seven members, annually approves an operating and maintenance budget, as well as a capital budget for the fiscal year. The Board of Directors relies upon the advice and recommendation of RIAC's Finance & Audit Committee, which consists of three members of the full Board of Directors.

T.F. GREEN AIRPORT

RIAC operates T. F. Green Airport, which is Rhode Island's only certified Part 139 commercial airport. The Airport is primarily an origin – destination airport. In recent years, approximately 99% of the passengers at the Airport either began or ended their journeys at the Airport.

The terminal complex including access roads and related improvements was completed in September 1996 and replaced the prior terminal which was demolished. The terminal building is named the Bruce Sundlun Terminal at T.F. Green Airport (Terminal). The Terminal at the time of its opening was a two level facility of approximately 302,000 square feet including fifteen jet gates and one commuter gate. In 1998, the Terminal was expanded to add four new jet gates and one new commuter gate. As a result of the expansion, the Terminal space increased to approximately 350,000 square feet with a capacity of nineteen jet gates and two commuter gates for a total of twenty-one gates.

The Terminal has passenger concourses that extend to the north and south of the central terminal area. Facilities for departing passengers are located on the second level where ticket counters, baggage checks, departure lounges and concessions (such as restaurants and news/gift stands) are located. On the second level, passengers pass through the central terminal area and then through the security checkpoint. From there, departing passengers take the concourse to the appropriate hold room and gate. Arriving international passengers utilize a Federal Inspection Services (FIS) Facility which is conveniently located on the first level of the Terminal.

A major terminal improvement project at the Airport was completed in 2008 to minimize congestion, ease circulation, improve security procedures, and enhance concessions. The expansion and improvement project increased the Terminal to approximately 402,000 square feet. As of June 30, 2016, airlines serving the Airport lease approximately 80,000 square feet of exclusive and preferential use area and approximately 60,000 square feet of common use area.

A total of approximately 8,590 public parking spaces are available on Airport property and/or leased space. They are divided as follows: a short term lot in front of the Terminal (Lot D) with approximately 450 spaces; a parking garage with approximately 1,500 spaces (Garage A); a garage with 740 spaces (Garage B); a leased garage with approximately 1,540 spaces (Garage C); and an express lot with approximately 4,360 spaces with the ability to add overflow capacity, if needed (Lot E). Garage A, Garage B, Garage C, Lot D and Lot E (RIAC controlled parking facilities) are operated pursuant to a parking management agreement with SP Plus Corporation, formerly Standard Parking Corporation.

RIAC leased Garage C from New England Parking, LLC in December 2007 for a ten year term through November 30, 2017. Per the terms of the lease agreement RIAC is responsible for all Garage C operations and maintenance costs and for the collection of all revenues from Garage C.

Public vehicular access is provided by a roadway system that directs vehicular traffic from Post Road and Interstate Route 95 to the Terminal curbside. These roads connect to a dual-level curbside system accommodating arriving and departing passengers. When approaching the Terminal, the roadway divides into an upper level for departing passengers and a lower level for arriving passengers. The upper level includes a curbside to provide an unloading area for private vehicles, taxis, limousines, rental car companies and hotel shuttles. The lower level roadway includes a curbside designated as loading zones for private vehicles and various commercial vehicles such as buses, courtesy vans, taxis and limousines.

The present airfield configuration consists of two intersecting runways, Runway 5/23 and Runway 16/34. Other facilities at the Airport include: fuel storage areas, facilities for fixed base operators, certain rental car service facilities, air freight and air cargo facilities, various hangars and other aviation-related facilities.

Air Carriers Serving the Airport

As of June 2017, the Airport has scheduled passenger service provided by five mainline carriers and ten affiliate carriers. Three airlines provide international service and three airlines provide all-cargo service.

AIRLINES SERVING THE AIRPORT

Mainline Carriers (5)

American Airlines
Delta Air Lines
JetBlue Airways
Southwest Airlines
United Airlines

Doing Business As:

Affiliate Carriers (10)

Air Wisconsin Airlines	American Express
Commutair	United Express
Endeavor Air	Delta Connection
Envoy Airlines	American Express
ExpressJet	Delta Connection and United Express
Mesa Airlines	United Express
PSA Airlines	American Express
Republic Airlines	American Express and United Express
SkyWest Airlines	United Express
Trans States Airlines	American Express and United Express

International Carriers (3)

Norwegian Air Shuttle ASA
SATA International - Azores Airlines
TACV - Cabo Verde Airlines

All Cargo Carriers (3)

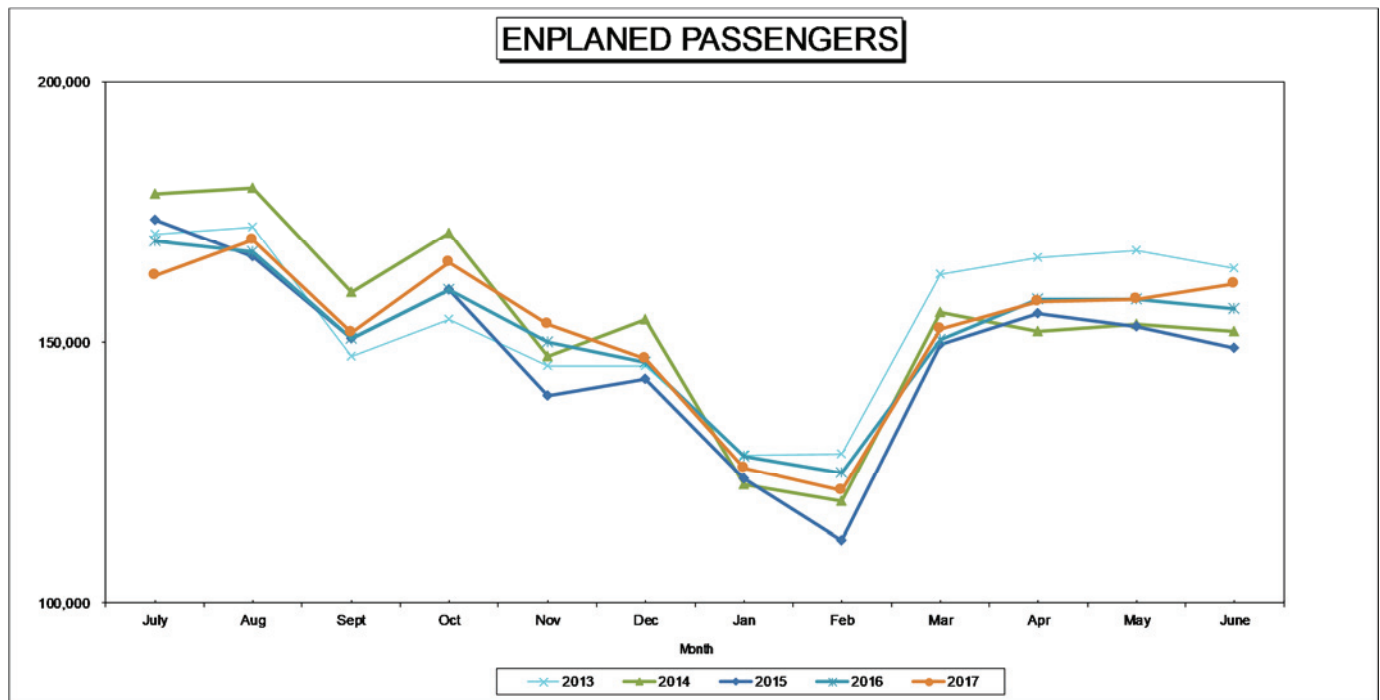
Federal Express
United Parcel Service
Wiggins Airways (a)

(a) Wiggins Airways flies on behalf of Federal Express

Historical Enplanement Data

T.F. Green Airport was ranked as the 64th busiest airport in the country for calendar year 2016 according to the latest published data produced by the FAA. This compares with rankings of 64th busiest in calendar year 2015 and 2014 and 63rd busiest in calendar years 2013 and 2012.

Actual enplaned passengers for fiscal year 2017 were 7,513 above 2016 resulting in an increase of 0.41%. The following chart and table depict the historical trend of enplaned passenger traffic at T. F. Green Airport for the fiscal years 2013 through 2017.



Fiscal Year	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
2013	170,796	172,279	147,423	154,347	145,382	145,532	128,330	128,570	163,092	166,199	167,634	164,121	1,853,705
2014	178,596	179,641	159,663	171,029	147,271	154,351	122,631	119,391	155,781	152,164	153,547	152,111	1,846,176
2015	173,439	166,445	150,781	160,156	139,755	142,882	123,774	112,016	149,680	155,611	153,002	148,883	1,776,424
2016	169,390	167,307	150,631	160,109	149,951	146,245	128,066	125,041	150,446	158,309	158,270	156,458	1,820,223
2017	162,942	169,667	151,982	165,427	153,501	146,840	125,878	121,543	152,513	157,788	158,331	161,324	1,827,736

Airport Use and Lease Agreements

RIAC established Signatory Airline Agreements with American Airlines, Delta Airlines, Federal Express Corporation (FedEx), JetBlue Airways, Southwest Airlines, United Airlines, and United Parcel Service Co. (UPS). Affiliates of Signatory Airlines operate under the terms and conditions of the Signatory Airline Agreements. TACV – Cabo Verde Airlines, and SATA International - Azores Airlines and Norwegian Air Shuttle ASA executed Non-Signatory Agreements.

The term of the Signatory Airline Agreement extends through June 30, 2020. A Cost Center Residual Rate Methodology is utilized to establish the Landing Fee and Apron Rental Rates. The Terminal Rental Rate Methodology is Commercial Compensatory. A Majority-in-Interest approval is not required for Capital Improvement Projects. The Signatory Agreement incorporates an Airline Net Revenue Sharing methodology for Signatory Passenger Airlines. Distribution of each Signatory Passenger Airline's portion of the revenue-sharing is based on enplanements. Under

this process, RIAC retains the first \$1 million and the Signatory Passenger Airlines share the next \$600,000. If there are remaining funds after the \$1.6 million, the Signatory Airlines share 40% and RIAC retains 60%. Non-Signatory Airlines' landing fees, apron fees and terminal rental rates are 125% of the Signatory Airlines' rates.

GENERAL AVIATION AIRPORTS

There are five General Aviation Airports operated by RIAC, each of which is managed pursuant to a Management Contract by and between RIAC and AFCO AvPORTS Management LLC (AvPORTS). Each of these airports is briefly described below:

North Central Airport

Located approximately fifteen miles north of the Airport, North Central Airport is classified as a reliever airport by the FAA and is located in Smithfield.

Quonset Airport

This airport is located in North Kingstown, approximately ten miles south of the Airport. The Rhode Island Air National Guard moved its operations from the Airport to Quonset Airport in 1986. The Rhode Island Army National Guard also maintains a presence at Quonset Airport. Quonset Airport has additional industrial facilities which are leased to several companies by the Quonset Development Corporation (QDC), a subsidiary of Commerce RI. Quonset Airport is classified by the FAA as a reliever airport.

Westerly Airport

This airport is located in Westerly, approximately thirty-five miles southwest of the Airport. Westerly Airport is classified as a commercial service airport and enplanes approximately 10,000 commuter passengers annually.

Newport Airport

This airport is located in Middletown, approximately seventeen miles southeast of the Airport. Newport Airport is classified as a general aviation airport.

Block Island Airport

Situated on Block Island just off the southern coast of Rhode Island, Block Island Airport is approximately twenty-five miles from the Airport. Block Island Airport is classified as a commercial service airport and enplanes approximately 10,000 commuter passengers annually.

FINANCIAL STATEMENTS

RIAC's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). RIAC is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets, except land, are capitalized and depreciated over their useful lives. During fiscal year 2015, RIAC implemented GASB Statement No. 68. As a result of this adoption, RIAC restated its fiscal year 2015 beginning net position by a reduction of \$2,000,248. See the notes to the financial statements for a summary of RIAC's significant accounting policies.

The statement of net position presents information on all of RIAC's assets and liabilities with the difference between the assets, deferred outflows, liabilities and deferred inflows reported as net position. Over time, increases or decreases in RIAC's net position may serve as a useful indicator of whether the financial position of RIAC is improving or deteriorating. However, non-financial factors should also be considered when evaluating RIAC's financial position. The statement of revenues, expenses and change in net position presents information on how RIAC's net position changed during the year. Certain amounts for the years ended June 30, 2016 and 2015 have been reclassified, with no impact on 2016 or 2015 net income, to be consistent with the classification adopted for the year ended June 30, 2017.

SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	2017	2016	2015
Operating Revenues	\$ 57,360,417	\$ 55,793,260	\$ 53,522,825
Operating Expenses (excluding depreciation)	(31,579,775)	(31,360,259)	(30,917,372)
Operating Income (before depreciation and InterLink)	25,780,642	24,433,001	22,605,453
Depreciation Expense	(23,717,047)	(22,655,093)	(20,158,122)
Operating Income after depreciation, before InterLink	2,063,595	1,777,908	2,447,331
InterLink, Net Operating Income	1,573,577	1,872,519	1,698,634
Operating Income	3,637,172	3,650,427	4,145,965
Non-operating Revenues (Expenses), net	(1,378,879)	(2,980,300)	(3,493,293)
InterLink Non-operating Revenues (Expenses), net	(4,237,128)	(4,380,843)	(4,470,175)
Non-operating Revenues (Expenses), total	(5,616,007)	(7,361,143)	(7,963,468)
Income/(Loss) before Capital Contributions	(1,978,835)	(3,710,716)	(3,817,503)
Capital Contributions, net	14,437,281	15,091,589	30,757,179
Change in Net position	\$ 12,458,446	\$ 11,380,873	\$ 26,939,676

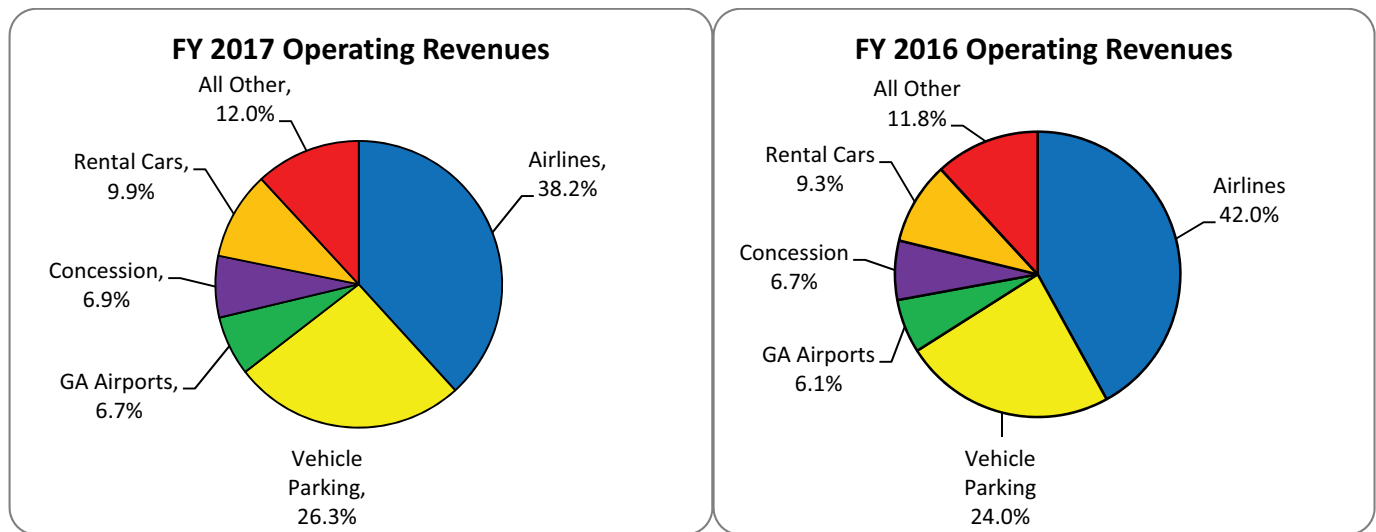
FINANCIAL POSITION SUMMARY

	2017	2016	2015
ASSETS			
Current assets	\$ 105,200,634	\$ 79,674,701	\$ 86,188,598
Noncurrent assets	57,345,517	37,574,125	40,383,787
Capital assets, net	577,789,616	557,279,962	557,450,743
Total assets	740,335,767	674,528,788	684,023,128
DEFERRED OUTFLOWS	1,808,161	1,915,990	4,953,329
LIABILITIES			
Current liabilities	55,709,445	36,064,834	34,104,276
Long term obligations	334,816,517	301,628,753	327,373,414
Total liabilities	390,525,962	337,693,587	361,477,690
DEFERRED INFLOWS	452,664	44,336	172,785
NET POSITION			
Net investment in capital assets	266,356,414	259,594,530	247,477,611
Restricted	51,293,934	45,133,186	46,254,497
Unrestricted	33,514,954	33,979,139	33,593,873
TOTAL NET POSITION	\$ 351,165,302	\$ 338,706,855	\$ 327,325,981

OPERATING REVENUES

The following chart shows the major sources and the percentage of total operating revenues for the fiscal years ended June 30, 2017, 2016 and 2015.

	2017	% of Total Revenues	2016	% of Total Revenues	2015	% of Total Revenues
OPERATING REVENUES						
Passenger Airlines	\$ 21,938,394	38.2%	\$ 23,417,085	42.0%	\$ 23,728,317	44.3%
Vehicle Parking	15,079,517	26.3%	13,408,561	24.0%	11,399,673	21.3%
Rental Cars	5,686,841	9.9%	5,205,966	9.3%	5,035,153	9.4%
Concession	3,978,467	6.9%	3,743,584	6.7%	3,628,352	6.8%
General Aviation Airports	3,862,323	6.7%	3,408,661	6.1%	3,051,988	5.7%
Tiedowns, Hangar & Miscellaneous	1,495,314	2.6%	1,403,176	2.5%	1,263,654	2.4%
Rental Revenues - Airport Support	1,100,092	1.9%	869,644	1.6%	824,971	1.5%
General Aviation & Cargo	1,005,229	1.8%	1,001,190	1.8%	904,241	1.7%
Non-Airline Rent	974,139	1.7%	1,031,096	1.8%	1,031,437	1.9%
Other Revenues	829,189	1.4%	874,778	1.6%	1,071,578	2.0%
Fuel Flowage Fees	801,956	1.4%	808,126	1.4%	877,977	1.6%
Off Airport Access Fees	608,956	1.1%	621,393	1.1%	705,484	1.3%
TOTAL OPERATING REVENUES	\$ 57,360,417	100.0%	\$ 55,793,260	100.0%	\$ 53,522,825	100.0%



Overall revenues for fiscal year 2017 and 2016 increased by approximately \$1.479 million and \$2.270 million, respectively. The following commentary includes revenue categories greater than 5% of total revenues and other line items to provide additional information.

Passenger Airline revenues for fiscal year 2017 decreased from fiscal year 2016 by approximately \$1.531 million primarily due to increased non-airline revenues and reduced operating expenses. Passenger Airline revenues for fiscal year 2016 decreased by approximately \$311,000 from fiscal year 2015. Passenger Airline revenues include landing

fees, terminal rentals, and apron rentals, net of an airline net revenue share. Passenger Airline revenue divided by fiscal year enplanements results in the Airport's Cost Per Enplanement (CPE). The calculated CPE's for fiscal years 2017, 2016, and 2015 are \$12.00, \$12.86, and \$13.36, respectively.

Vehicle Parking revenues for fiscal years 2017 and 2016 increased by approximately \$1.671 million and \$2.009 million, respectively as a result of programs to maximize the use and revenues of Airport parking facilities and positive enplanement trends.

Rental Car revenues for fiscal years 2017 and 2016 increased by approximately \$481,000 and \$171,000 respectively. The increase in fiscal year 2017 relates primarily to audit recoveries. These revenues include RIAC's share of rental car transactions, space rentals at the Airport, and audit recoveries.

Concession revenues for fiscal years 2017 and 2016 increased by approximately \$235,000 and \$115,000 respectively as a result of scheduled increases per the terms of concessionaire agreements. Included in this category are revenues from food, retail, and advertising concessionaires at the Airport.

General Aviation Airports revenues for fiscal years 2017 and 2016 increased by \$454,000 and \$357,000 respectively. The increase to fiscal year 2017 revenues is primarily due to increases in fuel revenues, aircraft parking, and hangar rentals and landing fees at Quonset. The increase to fiscal year 2016 revenues is primarily due to increases in fuel revenues, aircraft parking, and hangar rentals at Quonset.

Other Revenues includes operating grant revenues, utility reimbursements, aircraft registration fees and audit recoveries.

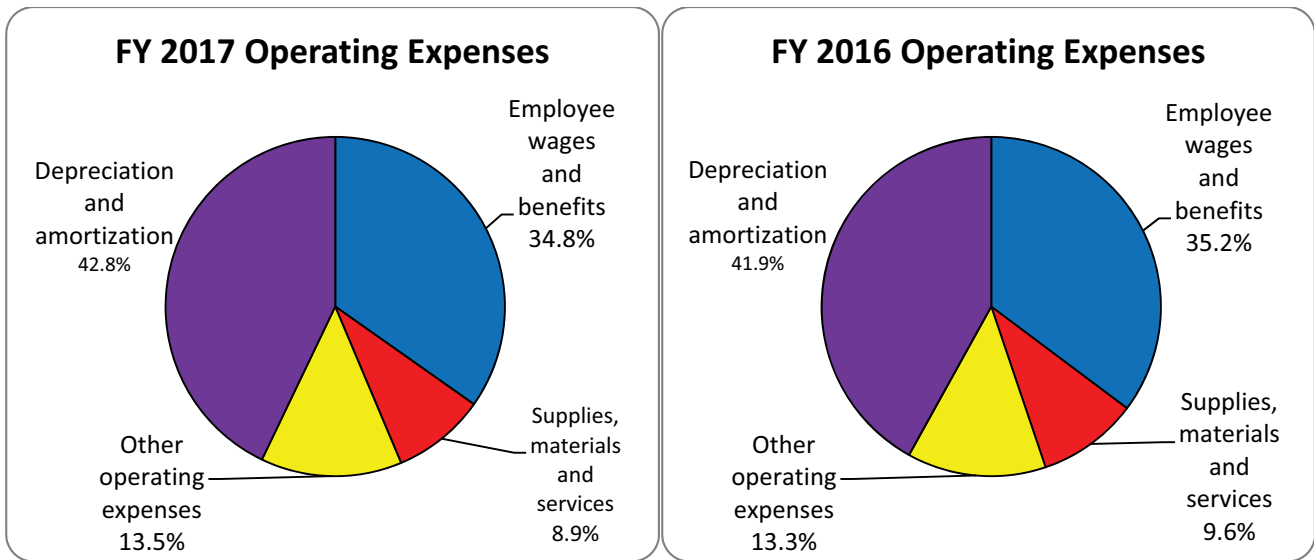
Rental Revenues – Airport Support Fund includes rental fees on certain revenue producing parcels located at Quonset State Airport.

Off Airport Access Fees are derived primarily from two sources, off-airport parking companies and hotels which both pay airport access fees.

OPERATING EXPENSES

The following chart illustrates major categories of operating expenses for the fiscal years ended June 30, 2017, 2016, and 2015:

	2017	% of Total Operating Expenses	2016	% of Total Operating Expenses	2015	% of Total Operating Expenses
OPERATING EXPENSES						
Employee wages and benefits	\$ 19,221,712	34.8%	\$ 19,031,668	35.2%	\$ 18,784,262	36.8%
Supplies, materials and services	4,917,416	8.9%	5,170,345	9.6%	5,022,358	9.8%
Other operating expenses	7,440,647	13.5%	7,158,246	13.3%	7,110,752	13.9%
Depreciation and amortization	<u>23,717,046</u>	42.8%	<u>22,655,093</u>	41.9%	<u>20,158,122</u>	39.5%
TOTAL OPERATING EXPENSES	<u>\$ 55,296,821</u>	100.0%	<u>\$ 54,015,352</u>	100.0%	<u>\$ 51,075,494</u>	100.0%



Employee wages and benefits for fiscal years 2017 and 2016 increased by approximately \$190,000 and \$247,000 respectively over prior year amounts. The increase in fiscal year 2017 is primarily due to the scheduled increase in employee wages, increased overtime expenses from operating departments, and increases in medical insurance costs, offset by reductions in workers compensation insurance costs and retirement expenses. The increase in fiscal year 2016 is primarily due to increases in retirement expense and medical insurance costs and the scheduled increase in employee wages, offset by the reduction in overtime for snow removal.

Supplies, materials, and services for fiscal year 2017 decreased by approximately \$253,000 from fiscal year 2016 amounts primarily due to reductions in legal fees for outside counsel and efforts to reduce costs. Fiscal year 2016 costs increased by approximately \$148,000 from fiscal year 2015 amounts primarily due to increased legal fees for outside legal services when expertise in a particular area was required.

Other operating expenses for fiscal years 2017 increased by approximately \$282,000 and \$47,000, respectively over prior year amounts. The increase in fiscal year 2017 is primarily due to marketing and advertising initiatives, offset by a reduction in operating expenses in most categories.. The increase in fiscal year 2016 is primarily due to increased advertising and marketing expenses partially offset by decreases in utility and fuel costs.

INTERLINK OPERATIONS

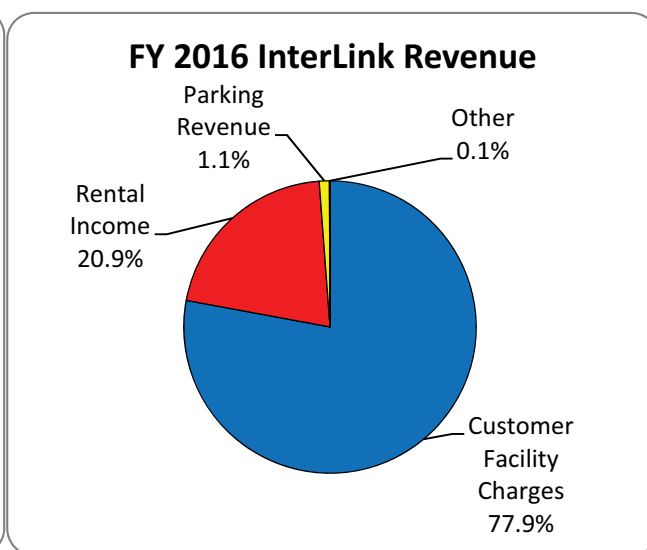
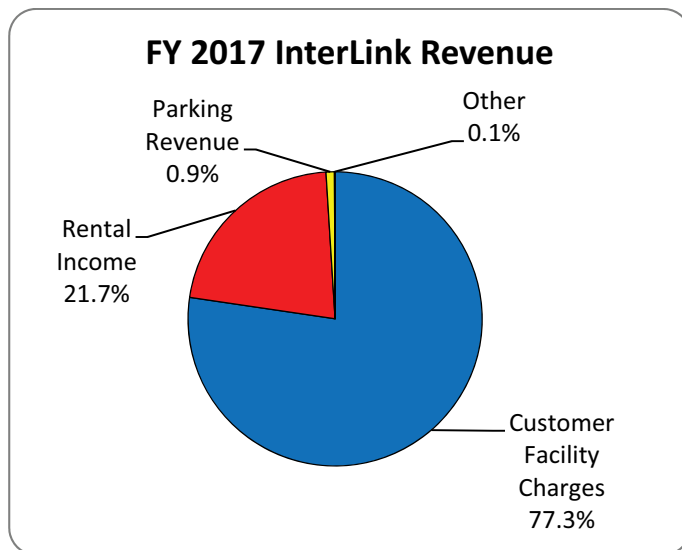
Net Loss for the InterLink is recorded as Operating Revenue in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, and Net Parking Revenues. Operating Expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest Expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds and the US Department of Transportation's (USDOT's) Transportation Infrastructure Finance and Innovation Act (TIFIA) loan and is shown after Nonoperating revenues/expenses in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Interest Income on accounts associated with the InterLink is also included in this line item.

A breakdown of the net income/(loss) from the InterLink Facility is as follows:

	2017	2016	2015
Facility Revenues	\$ 7,527,431	\$ 7,773,044	\$ 7,811,008
Operating and maintenance expense	1,352,973	1,314,020	1,553,372
Interlink operating income before deprecation and amortization	6,174,458	6,459,024	6,257,636
Depreciation and amortization	4,600,881	4,586,505	4,559,002
Operating Income	\$ 1,573,577	\$ 1,872,519	\$ 1,698,634
Interest Expense	(4,408,194)	(4,453,263)	(4,495,513)
Interest Income	171,066	72,419	25,338
Net loss Interlink Facility	\$ (2,663,551)	\$ (2,508,325)	\$ (2,771,541)

The following chart illustrates the categories of InterLink Facility Revenues for the fiscal years ended June 30, 2017, 2016, and 2015:

	2017	% of Total Facility Revenues	2016	% of Total Facility Revenues	2015	% of Total Facility Revenues
Facility Revenues						
Customer Facility Charges	\$ 5,821,867	77.3%	\$ 6,055,723	77.9%	\$ 5,925,006	75.8%
Rental Income	1,632,212	21.7%	1,625,310	20.9%	1,621,065	20.8%
Parking Revenue	69,336	0.9%	86,360	1.1%	258,906	3.3%
Other	4,016	0.1%	5,651	0.1%	6,031	0.1%
Total Facility Revenues	<u>\$ 7,527,431</u>	100.0%	<u>\$ 7,773,044</u>	100.0%	<u>\$ 7,811,008</u>	100.0%



Additional information on the InterLink operations may be found in the notes to the financial statements.

CUSTOMER FACILITY CHARGES

Since July of 2001, RIAC has been collecting CFCs per transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Airport in anticipation of the construction of a consolidated car rental facility to be located on, or near, Airport property. Effective April 1, 2014, the CFC rate was increased to \$6.00 from \$5.50 per eligible transaction day. The authority to collect Customer Facility Charges is pursuant to transportation ground rules promulgated by RIAC and Section 1-2-1.1 of the Rhode Island General Laws. During fiscal year 2017, CFC revenues including audit recoveries were \$5.821 million as compared to \$6.056 million in fiscal year 2016, and \$5.925 million in fiscal year 2015.

PASSENGER FACILITY CHARGES

Passenger Facility Charges (PFCs) are available to airports to finance specific eligible projects that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise resulting from an airport or (iii) furnish opportunities for enhanced competition among air carriers. Prior to fiscal year 2006, RIAC had received approval of its applications for authority to impose and use PFCs of \$3.00 per enplaned passenger to pay for eligible components of several projects including the new T.F. Green Terminal as well as the payment of a portion of the debt service on the 1993 Series A Bonds, the 1994 Series A Bonds and the 2000 Series A and B Bonds issued therefore. During fiscal years 2006 and 2007 RIAC's PFC applications one through four were amended to increase the PFC from \$3.00 to \$4.50 per enplaned passenger and adjust the total PFC Authority from \$147.5 million to \$135.9 million. In fiscal year 2007 RIAC received approval of an additional application for certain airport projects in the amount of \$31.826 million to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$167.726 million. In fiscal year 2010 RIAC received approval of an additional application for certain airport projects in the amount of \$15.833 million to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$183.559 million. In fiscal year 2014 RIAC received approval of an additional application for certain airport projects in the amount of \$78.377 million to be collected at \$4.50 per enplaned passenger, bringing the total PFC Authority to \$261.936 million.

PFC revenues were \$7.338 million in fiscal year 2017 and \$7.152 million in fiscal years 2016 and 2015. As of June 30, 2017, \$171.751 million (including interest earned) of PFCs have been collected. The authority to collect PFCs expires upon the expiration date specified by the FAA or once collections reach a maximum amount approved by the FAA, whichever occurs first.

In fiscal year 2017, \$2.693 million of PFCs were expended for capital acquisition and construction and debt service payments on the 2015 Series A (which refunded the 2004 Series A), the 2016 Series C bonds (which refunded the 2005 Series C). In fiscal year 2016, \$8.321 million of PFCs were expended for capital acquisition and construction and debt service payments on the 2005 Series C bonds (which refunded the 2000 Series B), 2015 Series A (which refunded the 2004 Series A), and the 2016 Series C bonds (which refunded the 2005 Series C). In fiscal year 2015, \$8.265 million of PFCs were expended for capital acquisition and construction and debt service payments on the 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), 2005 Series C bonds (which refunded the 2000 Series B), 2013 Series C (which refunded the 2003 Series), and 2015 Series A (which refunded the 2004 Series A).

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

Capital asset acquisitions and improvements exceeding \$2,500 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including federal grants with matching RIAC funds.

In fiscal year 2017, RIAC capitalized \$4.435 million in land and easement acquisitions, \$14.334 million in leasehold improvements, \$3.887 million in machinery and equipment, and \$236,000 in vehicle acquisitions. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$41.834 million at June 30, 2017.

In fiscal year 2016, RIAC capitalized \$1.658 million in land and easement acquisitions, \$61.895 million in leasehold improvements, \$1.056 million in machinery and equipment, and \$227,000 in vehicle acquisitions. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$15.485 million at June 30, 2016.

Additional information on capital assets may be found in the notes to the financial statements.

SIGNIFICANT PROJECTS - AIRPORTS

Noise Mitigation-Voluntary Land Acquisition

In fiscal year 2017, approximately \$3.503 million was expended for acquisition, relocation, demolition, and related program costs associated with 14 properties acquired in connection with the Voluntary Land Acquisition program. The amount expended in fiscal year 2016 totaled approximately \$2.486 million. Amounts related to the value of land at the time of these acquisitions are capitalized, but not depreciated.

Noise Mitigation-Sound Insulation

In fiscal year 2017, approximately \$9.424 million was expended for the noise mitigation and sound insulation program which included 50 single-family homes in Phase 3, along with 70 single-family homes and 119 multi-family homes in Phase 4. Additionally, the remaining design effort for Phase 5 was completed, and included a final design and bid for 82 homes. RIAC added one smaller phase, Phase 6, and commenced design of 14 single-family homes in fiscal year 2017. Through Phase 6, an estimated 534 homes will be sound insulated. The amount expended in fiscal year 2016 totaled approximately \$6.929 million.

Deicer Management System

In fiscal year 2017, approximately \$740,000 was expended on the Deicer Management System at T.F. Green Airport. The project includes online monitoring and diversion of deicing storm water to comply with the Rhode Island Pollutant Discharge Elimination System (RIPDES) permit issued by the Rhode Island Department of Environmental Management (RIDEM). The improvements prevent the discharge of deicing runoff to surface waters when the concentration exceeds the RIPDES permit limits. The amount expended in fiscal year 2016 totaled approximately \$770,000.

Runway 16-34 Safety Area Improvements

In fiscal year 2017, approximately \$7.631 million was expended on the Runway 16-34 Safety Area (RSA) Improvements Project. This project includes installation of an Engineered Materials Arresting System (EMAS) in the RSAs at each runway end. It also includes reconfiguring the taxi lane from the Runway 16 end to the North Apron to meet FAA requirements, replacement of Navigational Aids (NAVAIDs), raising of Runway 34 end, relocation of a portion of the Runway 34 end Perimeter Road, and wetland mitigation improvements. The amount expended in fiscal year 2016 totaled approximately \$16.990 million.

Runway 5-23 Extension

In fiscal year 2017, approximately \$32.094 million was expended on the Runway 5-23 Extension Project. This project involves extending Runway 5 to the south by 1,530 feet to a total length of 8,700 feet. Major components of this project include the relocation of Main Avenue (including the purchase and demolition of homes), the voluntary acquisition of homes within the new Runway Protection Zone (RPZ), the relocation of Winslow Park facilities, and the extension of Runway 5. Included in this project are costs that have been recorded as contributed capital expense and include \$8.2 million of Navigational Aids (NAVAIDs) as these assets are transferred to the Federal Aviation Administration (FAA), and \$1.7 million related to Main Avenue as these assets are transferred to the Rhode Island Department of Transportation (RIDOT). The amount expended in fiscal year 2016 totaled approximately \$17.905 million.

Obstruction Removal - Runway 16-34

In fiscal year 2017, approximately \$452,000 was expended on the Obstruction Removal Project for Runway 16-34. This project includes the acquisition of easements, design, and construction related to on and off airport obstruction mitigation.

Hangar 2 Improvements

In fiscal year 2017, approximately \$329,000 was expended on Hangar 2 improvements project. This project includes the replacement of the current fire suppression system, an upgrade of the water main and fire alarm systems, and exterior painting of the Hangar structure.

Purchase Commercial Property

In fiscal year 2017, approximately \$3.025 million was expended for the purchase of a commercial property adjacent to TF Green Airport.

Federal Inspection Services Facility

In fiscal year 2017, approximately \$5.012 million was expended for the renovations and expansion of the FIS Facility, utilized by the United States Customs & Border Protection (CBP) for international flights.

Quonset Glide Slope

In fiscal year 2017, approximately \$682,000 was expended for the design and construction of the Quonset Conduit ductbank project. This project is 100% funded by the National Guard Bureau (NGB) under a Military Construction Cooperative Agreement (MCCA).

LONG-TERM DEBT ADMINISTRATION - GENERAL

Under the State Lease Agreement, RIAC has agreed to reimburse the State for GO Bond debt service accruing after July 1, 1993. In the event there are not sufficient funds available to reimburse the State, such event shall not constitute an event of default. Instead, the unpaid portion shall accrue and be payable in the next succeeding fiscal year and shall remain a payment obligation of RIAC until paid in full. If the unpaid portion is not reimbursed by the end of the following year, such failure could constitute an event of default on the part of RIAC under the State Lease Agreement. RIAC is current in all of its payment obligations to the State. These bonds mature annually through 2023. The balance outstanding at June 30, 2017 and 2016 was \$275,000 and \$390,000, respectively.

In 2008, RIAC issued \$17.645 million Series A and \$15.49 million Series B General Airport Revenue Bonds dated May 30, 2008 maturing annually through 2038 with interest coupons ranging from 3.5% to 5.25%. Also on May 30,

2008, RIAC issued \$18.03 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$18.06 million of 1998 Series B General Airport Revenue Bonds. The refund issue matures annually from 2010 through 2018 with interest coupons ranging from 4% to 5%. RIAC's defeasance of these 1998 Series B Bonds resulted in an economic present value gain of \$597,000 or 3.3% of the refunded bonds. The outstanding balance for the 2008 Series as of June 30, 2017 and June 30, 2016 was \$33.465 million and \$36.360 million, respectively.

In 2013, RIAC secured funds for the Deicer Management System at T.F. Green Airport under the Rhode Island Clean Water Finance Agency's State Revolving Fund for the payment of eligible project costs up to \$33.5 million at an average effective interest rate of 2.44% (2013 Series A General Airport Revenue Bonds). This bond is issued pursuant to the Ninth Supplemental Indenture and secured by general airport revenues. Eligible project costs include construction funds, costs of issuance, and the debt service reserve fund. Interest payments will accrue as amounts are drawn down from this loan. The outstanding balance for the 2013 Series A as of June 30, 2017 and June 30, 2016 was \$31.040 million and \$31.328 million, respectively.

In 2013, RIAC issued \$30.7 million Series B and \$2.055 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$32.06 million in 1998 Series A General Airport Revenue Bonds and \$6.02 million in 2003 Series A General Airport Revenue Bonds, respectively. The 2013 Series B refund issue matures annually from 2019 through 2028 with interest coupons from 4% to 5%. The 2013 Series C refund issue matures annually from 2014 to 2015 with interest coupons from 3% to 4%. RIAC's defeasance of the 1998 Series B Bonds and the 2003 Series A Bonds resulted in economic present value savings of \$1.914 million or 6% and \$171,000 or 2.8% of the refunded bonds, respectively. The outstanding balance for the 2013 Series B was \$30.7 million as of June 30, 2017 and June 30, 2016. There was no outstanding balance on the 2013 Series C.

In 2015, RIAC issued \$42.98 million Series A Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of \$48.625 million in 2004 Series A General Airport Revenue Refunding Bonds. The 2015 Series A refund issue matures annually from 2015 through 2024 with an interest rate of 2%. RIAC's defeasance of the 2004 Series A Bonds resulted in economic present value savings of \$5.9 million or 12% of the refunded bonds. The outstanding balance for the 2015 Series as of June 30, 2017 and June 30, 2016 was \$37.505 million and \$42.345 million, respectively.

In 2016, RIAC issued \$27.66 million Series A Direct Placement Airport Revenue Refunding Bonds, \$26.97 million Series B Direct Placement Airport Revenue Refunding Bonds and \$30.93 million Series C Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of \$30 million in 2005 Series A General Airport Revenue Bonds, \$27.245 million in 2005 Series B General Airport Revenue Bonds, and \$35.930 million in 2005 Series C General Airport Revenue Refunding Bonds, respectively. The 2016 Series A refund issue matures monthly from 2016 through 2025 with an interest rate of 2.49%. The 2016 Series B refund issue matures monthly from 2023 through 2030 with an interest rate of 3.69%. The 2016 Series C refund issue matures monthly from 2016 through 2025 with an interest rate of 2.24%. RIAC's defeasance of the 2005 Series A, B and C Bonds resulted in economic present value savings of \$12.2 million or 13% of the refunded bonds. The outstanding balances for the 2016 Series A, B, and C as of June 30, 2017 was \$23.615 million, \$26.970 million, and \$27.958 million, respectively. The outstanding balances for the 2016 Series A, B, and C as of June 30, 2016 were \$26.650 million, \$26.970 million, and \$30.212 million, respectively.

In July 2016, RIAC issued \$36.885 million Series D and \$3.445 million Series E General Airport Revenue Bonds. The 2016 Series D issue matures annually from 2026 through 2046 with interest coupons of 5%. The 2016 Series E issue matures annually from 2017 through 2021 with interest coupons from 1.95% to 2.75%. The outstanding balances for the 2016 D and E Series as of June 30, 2017 were \$36.885 million and \$3.445 million, respectively.

In July 2016, RIAC entered into a tax exempt equipment lease agreement for \$2.896 million. The agreement is payable annually with a fixed interest rate of 1.71% and expires in fiscal year 2024. The outstanding balance as of June 30, 2017 was \$2.896 million.

LONG TERM DEBT ADMINISTRATION – SPECIAL FACILITY

In 2006, RIAC issued \$48.765 million Series 2006 First Lien Special Facility Bonds for the InterLink Project (2006 First Lien Bonds) dated June 14, 2006 maturing annually from 2011 through 2036 with interest coupons ranging from 4% to 5%. The balance outstanding for the 2006 First Lien Bonds was \$44.345 million and \$45.265 million as of June 30, 2017 and 2016, respectively. The principal amount of redemption premium, if any, and interest on the 2006 First Lien Bonds is payable from and secured by a pledge of the respective interests of Commerce RI and RIAC in the Trust Estate created under the Indenture.

The Trust Estate consists of: (i) Facility Revenues (which include CFCs); (ii) moneys, including investment earnings, in funds and accounts pledged under the Indenture; (iii) certain insurance proceeds required to be deposited in such funds and accounts under the Indenture; and (iv) Commerce RI's right, title and interest to receive loan payments from RIAC under the Commerce RI Loan Agreement.

As part of the financing for the InterLink Project, RIAC and the Commerce RI secured additional funds under the USDOT's TIFIA for the payment of eligible project costs of the InterLink up to \$42 million at an interest rate of 5.26%. This TIFIA Bond is issued pursuant to the First Supplemental Indenture as a Second Lien Obligation payable from and secured by a pledge of and secondary interest in the Trust Estate under the Indenture, subject to the pledge of the Trust Estate for the security and payment of the 2006 First Lien Bonds. The 2006 TIFIA Bond is also secured by the Second Lien Debt Service Reserve Fund that was funded from CFCs on the DOO in an amount of \$3.328 million. The outstanding balance for the TIFIA Bond as of June 30, 2017 and June 30, 2016 was \$41.541 million for both years.

CREDIT RATINGS AND BOND INSURANCE

Since the inception of RIAC in 1992, there have been eight General Airport Revenue Bonds issued by Commerce RI, to finance construction and other related costs for certain capital improvements and seven Airport Revenue Refunding Bonds to defease all of the 1993 debt, a portion of the 1994 debt, all of the 1998 debt, all of the 2000 Series B debt, all of the 2003 debt, all of the 2004 debt, and all of the 2005 debt.

The insured General Airport Revenue Bonds outstanding at June 30, 2017 include the 2008 Series A&B General Airport Revenue Bonds (\$33.135 million issued and insured by Assured Guaranty Corp. (AGC), with \$28.855 million outstanding).

The insured Airport Revenue Refunding Bonds outstanding at June 30, 2017 include the 2008 Series C Bonds (\$18.03 million issued and insured by AGC, with \$4.61 million outstanding), the 2015 Series A Bonds (\$42.98 million issued and insured by Assured Guaranty Municipal Corp. (AGM), with \$37.505 million outstanding).

As of June 30, 2017, Commerce RI's/RIAC's General Airport Revenue Bonds (excluding the 2013 Series A Bonds) and the Airport Revenue Refunding Bonds (excluding the 2015 Series A and the 2016 Series A,B, and C Bonds) are rated by three firms, Fitch Investor Services (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's (S&P) as BBB+ with a stable outlook, Baa1 with a stable outlook and BBB+ with a stable outlook, respectively.

In connection with the sale of RIAC's Series 2006 First Lien Bonds for the InterLink Project, insurance was purchased by RIAC to guarantee the payment of principal and interest when due from CIFG, Assurance North America, Inc. The policy is currently reinsured by AGC. The bonds are currently rated by Moody's and S&P as Baa1 with a negative outlook and BBB+ with a stable outlook, respectively.

CURRENT OPERATIONS AND FINANCIAL SITUATION

Norwegian Air Shuttle ASA began service to Edinburgh, Scotland in June 2017 and has announced new service to Belfast, Northern Ireland; Cork, Ireland; Dublin, Ireland; Shannon, Ireland; Bergen, Norway; Guadeloupe; and Martinique.

Frontier Airlines has announced service to Orlando, Florida; Denver, Colorado; Charlotte, North Carolina; Fort Myers, Florida; Miami, Florida; Tampa, Florida; New Orleans, Louisiana and Raleigh, North Carolina.

Allegiant Air has announced service to Cincinnati, Ohio; Punta Gorda, Florida; and St. Pete-Clearwater International Airport in Florida.

OneJet has announced service to Pittsburg, Pennsylvania.

Effective July 1, 2017, the Rent A Car (RAC) agreement was amended to allow RIAC to increase the CFC beyond the CFC Cap established in the agreement, include the privilege fee as a gross receipt in its calculation, and establish a Utility Facility Charge of \$1 per transaction day.

Any questions or comments concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Financial Officer of the Rhode Island Airport Corporation, T. F. Green Airport, 2000 Post Road, Warwick, RI 02886, 401-691-2000.

Financial Statements

Rhode Island Airport Corporation

Statements of Net Position

June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 36,001,969	\$ 30,675,011
Accounts receivable, net	26,154,109	18,798,641
Deposits and prepaid items	767,716	532,985
Due from primary government	3,140,615	298,514
	<u>66,064,409</u>	<u>50,305,151</u>
Restricted assets:		
Restricted cash and cash equivalents	31,044,427	24,038,041
Restricted investments	6,184,550	3,939,134
Accounts receivable, net	1,831,371	1,348,162
Deposits and prepaid items	75,877	44,213
	<u>39,136,225</u>	<u>29,369,550</u>
Total current assets	<u>105,200,634</u>	<u>79,674,701</u>
Noncurrent assets:		
Restricted cash and cash equivalents	51,292,956	33,931,620
Restricted investments	4,895,560	2,262,918
Notes receivable	341,668	490,063
Capital assets, net of accumulated depreciation and amortization	577,789,616	557,279,962
Deferred charges, net of accumulated amortization of \$553,005 and \$478,814 in 2017 and 2016, respectively	815,333	889,524
Total noncurrent assets	<u>635,135,133</u>	<u>594,854,087</u>
Total assets	<u>740,335,767</u>	<u>674,528,788</u>
Deferred outflows of resources:		
Deferred pension expense	288,593	160,206
Deferred amounts on refunding	1,519,568	1,755,784
	<u>1,808,161</u>	<u>1,915,990</u>
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	11,600,915	6,131,129
Accrued payroll and employee benefits	1,719,399	1,587,434
Accrued expenses	14,489,026	4,695,770
Due to other component unit	235,000	235,000
Unearned revenue	453,763	442,542
Liability for claims, judgements and other settlements	-	164,000
Current portion of capital lease obligations	392,999	-
	<u>28,891,102</u>	<u>13,255,875</u>
Payable from restricted assets:		
Accounts and retainage payable	2,434,758	1,268,211
Accrued expenses	2,950,479	1,297,844
Accrued interest payable	4,519,178	4,730,689
Current portion of long-term obligations	16,913,928	15,512,215
	<u>26,818,343</u>	<u>22,808,959</u>
Total current liabilities	<u>55,709,445</u>	<u>36,064,834</u>
Noncurrent liabilities:		
Capital lease obligations, less current portion	2,503,215	-
Long-term obligations, less current portion	329,003,603	297,534,570
Due to primary government	275,000	390,000
Due to other component unit	1,196,729	1,477,976
Net pension liability	1,837,970	2,226,207
Total noncurrent liabilities	<u>334,816,517</u>	<u>301,628,753</u>
Total liabilities	<u>390,525,962</u>	<u>337,693,587</u>
Deferred inflows of resources:		
Deferred pension credit	452,664	44,336
Net position:		
Net investment in capital assets	266,356,414	259,594,530
Restricted	51,293,934	45,133,186
Unrestricted	33,514,954	33,979,139
Total net position	<u>\$ 351,165,302</u>	<u>\$ 338,706,855</u>

See notes to financial statements.

Rhode Island Airport Corporation

Statements of Revenues, Expenses and Changes in Net Position For the Years Ended June 30, 2017 and 2016

	2017	2016
Operating revenues:		
Charges for services:		
Rental, concession fees and other	\$ 26,379,935	\$ 26,199,295
Landing fees and airfield revenues	15,900,965	16,185,404
Parking	15,079,517	13,408,561
Total operating revenues	57,360,417	55,793,260
Operating expenses:		
Employee wages and benefits	19,221,712	19,031,668
Supplies, materials and services	4,917,416	5,170,345
Other operating expenses	7,440,647	7,158,246
Depreciation and amortization	23,717,046	22,655,093
Total operating expenses	55,296,821	54,015,352
Operating income (before InterLink)	2,063,596	1,777,908
InterLink, net (Note 10)	1,573,577	1,872,519
Operating income	3,637,173	3,650,427
Nonoperating revenues (expenses):		
Passenger facility charges	7,338,040	7,151,541
InterLink investment income (Note 10)	171,084	72,419
Investment income	397,751	168,692
Other	108,428	(21,255)
Grant revenues (Note 1)	13,787,133	12,342,325
Grant expenses (Note 1)	(15,307,323)	(12,986,997)
InterLink interest expense (Note 10)	(4,408,212)	(4,453,263)
Interest expense	(7,702,908)	(9,634,605)
Total nonoperating revenues (expenses), net	(5,616,007)	(7,361,143)
Loss before capital contributions	(1,978,834)	(3,710,716)
Capital contributions, net	14,437,281	15,091,589
Change in net position	12,458,447	11,380,873
Net position, beginning of year	338,706,855	327,325,982
Net position, end of year	\$ 351,165,302	\$ 338,706,855

See notes to financial statements.

Rhode Island Airport Corporation

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from rentals and other services or fees	\$ 58,430,368	\$ 56,741,181
Payments to employees for services	(19,198,043)	(19,304,520)
Payments to suppliers and other	(12,928,849)	(10,249,910)
InterLink, net	6,085,408	6,604,445
Net cash provided by operating activities	32,388,884	33,791,196
Cash flows from noncapital financing activities:		
Grant receipts	9,887,487	10,545,245
Payment of grant expenses	(15,167,215)	(12,222,309)
Net cash used in noncapital financing activities	(5,279,728)	(1,677,064)
Cash flows from capital and related financing activities:		
Collection of passenger facility charges	6,963,231	7,236,814
Proceeds from sale of capital assets	24,189	61,506
Other	84,239	2,981
Interest paid, long-term obligations	(12,322,631)	(16,204,023)
Capital contributions and grant revenues, net	7,197,359	18,050,790
Acquisition and construction of capital assets	(28,504,160)	(30,517,602)
Proceeds from long-term obligations	47,524,108	88,136,918
Payments on long-term obligations	(14,052,148)	(105,737,988)
Net cash provided by (used in) capital and related financing activities	6,914,187	(38,970,604)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	-	7,765,095
Purchase of investments	(4,878,148)	(2,262,918)
Interest on investments	549,485	244,157
Net cash (used in) provided by investing activities	(4,328,663)	5,746,334
Net increase (decrease) in cash and cash equivalents	29,694,680	(1,110,138)
Cash and cash equivalents, beginning of year	88,644,672	89,754,810
Cash and cash equivalents, end of year	\$ 118,339,352	\$ 88,644,672
Reconciliation of cash and cash equivalents to the:		
Statement of net position:		
Current unrestricted assets	\$ 36,001,969	\$ 30,675,011
Current restricted assets	31,044,427	24,038,041
Noncurrent restricted assets	51,292,956	33,931,620
	\$ 118,339,352	\$ 88,644,672

(Continued)

Rhode Island Airport Corporation

Statements of Cash Flows (Continued) For the Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,637,173	\$ 3,650,427
Adjustments to reconcile operating income to net cash provided by operations:		
Depreciation and amortization	28,317,927	27,241,598
Changes in assets, deferred inflows, liabilities and deferred outflows:		
(Increase) decrease in:		
Accounts receivable, net	969,680	949,363
Deposits and prepaid items	(234,731)	12,346
Deferred pension expense	(128,387)	14,928
Increase (decrease) in:		
Accounts payable	656,395	501,725
Accrued expenses	(860,485)	1,152,201
Unearned revenue	11,221	143,979
Other noncurrent liabilities	(388,237)	253,078
Deferred pension credit	408,328	(128,449)
Net cash provided by operating activities	\$ 32,388,884	\$ 33,791,196
Supplemental disclosure for cash flow information:		
Noncash capital and related financing activities:		
Capital assets and grant expenses acquired through accounts payable	\$ 25,581,919	\$ 8,069,264
Capital contribution and grant revenues recognized through accounts receivable	\$ 27,877,679	\$ 16,789,775
Deferred amount on refundings recorded through:		
Reduction of unamortized bond insurance costs and unamortized original issue premiums and discounts	\$ 346,731	\$ 270,378
Capital leases entered into by RIAC	\$ 2,896,214	\$ -

See notes to financial statements.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies

Reporting entity: Rhode Island Airport Corporation (RIAC) is a public corporation organized in December 1992 for the purpose of assuming operating responsibility for the six airports in the State of Rhode Island (State). RIAC is a subsidiary of Commerce RI, formerly the Rhode Island Economic Development Corporation, and a component unit of the State of Rhode Island. The airports are owned by the State and prior to July 1, 1993 were managed by the Department of Transportation, Department of Airports (RIDOT). RIAC and the State entered into a Lease and Operating Agreement (Lease Agreement) which transferred operating responsibility for the airports to RIAC effective July 1, 1993, which agreement was amended in fiscal year 2008 to extend the term to 2038 (see Note 8). RIAC does not have the power to issue bonds, notes or borrow money without the approval of Commerce RI, nor does it have the power of eminent domain with respect to real property.

RIAC is governed by a board of directors which consists of seven members who are appointed by the Governor of the State of Rhode Island and serve without compensation but are entitled to reimbursement for necessary expenses incurred in performance of their duties relating to RIAC.

RIAC is not subject to federal, state or local income taxes.

In evaluating the inclusion of other separate and distinct legal entities as component units within its financial reporting structure, RIAC has adopted the provision of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards for the criteria used to evaluate the organization's activities and functions that should be included in RIAC's financial statements. No component units are reported in the accompanying financial statements based on operational or financial relationships with RIAC.

Measurement focus and basis of accounting: The accounting policies of RIAC conform to accounting principles generally accepted in the United States of America applicable to state and local government agencies and, as such, RIAC is accounted for as a special purpose government engaged in only business type activities. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

RIAC distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with operating airports and related transportation modes. The principal operating revenues of RIAC are charges to airlines, facilities tenants, passengers and others for fees, rent and services. Operating expenses include the cost of operating airports and related facilities, administrative expenses and depreciation and amortization expense on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The major components of the non-operating revenue sources are interest income from cash and investments, passenger facility charges and revenues from the Noise Mitigation Program. The major components of non-operating expense are expenditures for the Noise Mitigation program, interest expense and other non-operating expenses. When both restricted and unrestricted resources are available for use, it is RIAC's policy to use restricted resources first, then unrestricted resources as they are needed.

Cash and cash equivalents: For the purposes of the statement of cash flows, RIAC considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. Money market funds are considered cash equivalents.

RIAC's cash and cash equivalents include amounts designated by the Board of Directors for capital acquisition, construction and operating costs (see Note 6). Such amounts totaled \$5,100,000 as of June 30, 2017 and 2016.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Receivables: Receivables are reported at the original amount billed, less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience, aviation industry trends and current information regarding the creditworthiness of the debtors. RIAC requires collateral or other forms of security from certain customers.

Receivables from state and federal agencies are reported based on reimbursable capital expenditures and noise mitigation expenditures.

Investments: Investments with maturities of greater than one year are recorded at fair value.

Fair value measurement: RIAC uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the certain fair value estimates may not be realized in an immediate settlement of the asset or liability.

RIAC's fair value measurements are classified into a fair value hierarchy based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

The three categories within the hierarchy are as follows:

- Level 1:** Investments whose values are based on quoted prices (unadjusted) for identical assets in active markets that a government can access at measurement date.
- Level 2:** Investments with inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3:** Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment.

See Note 2 for additional information regarding fair value measurements.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Restricted assets: Restricted assets consist of monies and other resources whose use is restricted either through external restrictions imposed by creditors, grantors, contributors, and the like, or through restrictions imposed by law through constitutional provisions or enabling legislation. The distinction between current and noncurrent cash and investments is that noncurrent cash and investments are restricted for long-term debt service, reserves and capital expenditures. These restrictions are described below:

Restricted for certain expenditures: These assets are restricted under RIAC's capital grants, bond indentures, and other agreements for certain capital projects and expenses. These assets include amounts collected for Passenger Facility Charges and bond proceeds to be used for construction and InterLink Facility Revenues to be used for operating expenses related to the InterLink.

Restricted for deposits: These assets are restricted from operations because they represent deposits that are held to ensure performance by tenants.

Restricted for reserves: These assets are restricted by the Master Indenture of Trust dated October 1, 1993, which authorizes Commerce RI to issue bonds on behalf of RIAC. The operating and maintenance reserve represents resources set aside to subsidize potential deficiencies from RIAC's operations that could adversely affect debt service payments. The repair and rehabilitation reserve represents resources set aside to meet unexpected contingencies or to fund asset repairs and rehabilitation. The InterLink has assets that are restricted per the First Supplemental Indenture of Trust dated June 1, 2006. The InterLink operating and maintenance reserve represents resources set aside to subsidize potential deficiencies from the InterLink's operations that could adversely affect debt service payments. The emergency renewal and replacement reserve fund represents assets set aside to be used by RIAC to pay emergency renewal and replacement costs.

Capital assets and depreciation and amortization: Capital assets are stated at cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation, except for capital assets donated by the State which were recorded at the same net book value as previously reported by the State. Assets leased from the State by RIAC are recorded at the present value of the future minimum lease payments plus the amounts expended from the funding received from the federal government. Approximately 50 percent of RIAC's capital assets are subject to lease. RIAC defines capital assets as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and costs associated with the Noise Mitigation Program are expensed as incurred except for the value of the land acquired, which is capitalized. Qualifying interest expense is capitalized during the construction period of readying an asset for use.

Depreciation and amortization of capital assets is calculated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Assets leased from the State	5-25
Leasehold improvements	7-50
Machinery and equipment	3-20
Vehicles	5-10

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. RIAC reports a deferred charge on refunding in this manner in the statements of net position. A deferred outflow on debt refunding results from the difference in the carrying amount of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time. RIAC reports a deferred pension credit as a result of the deferred inflows and outflows of pension resources under GASB Statement No. 68 in developing the pension expense. They arise from differences between expected and actual experience and changes in assumptions. The portion of these amounts not included in pension expense are included in the deferred inflows or outflows of resources.

Compensated absences: RIAC accrues vacation and sick pay benefits as earned by its employees in accordance with established personnel policies using the salary rates in effect at the statements of net position date. A liability for these amounts is recorded for amounts expected to be paid.

Original issue premium or discount: Bond premiums and discounts are deferred and amortized over the life of the related bonds using the effective interest method. Revenue bonds payable are reported net of the original issue bond premium or discount, as appropriate.

Net position: RIAC's net position is presented in the following three categories:

Net investment in capital assets: This category represents capital assets, net of accumulated depreciation and amortization and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of capital assets. Invested in capital assets, net of related debt, excludes unspent debt proceeds.

Restricted net position: This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position: This category represents the residual amount of net position not included in the other two categories.

Revenue recognition:

Rental, concession fees and other: Rental and concession fees are generated from airlines, food and beverage outlets, retailers, rental car agencies, advertising and commercial tenants. Leases executed by RIAC with such parties are accounted for as operating leases. RIAC recognizes rental income on a straight-line basis over the terms of the various leases.

Concession fees are recognized based on reported concessionaire revenue. Where agreements permit audits of concessionaire revenue, any additional fees resulting from such audits are recognized when such amounts become known. Other Income includes federal grants, bad debt expenses and recoveries, and audit recoveries.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Landing fees and airfield revenues: Landing fees are generated principally from scheduled airlines, cargo carriers and nonscheduled commercial aviation based on the landed weight of the aircraft and/or signed contracts. Airfield revenues include apron, tiedown and hangar rentals, fuel flowage fees and other airfield related revenues. Landing fees and airfield revenues are recognized as revenue as the related facilities are used.

Parking: Parking revenues are generated principally from on-site facilities managed by a third party. Revenues are based upon utilization of the facilities. Parking revenues are recognized based upon reported revenue by the management company. Additional parking revenues resulting from an audit of the management company records are recognized when such amounts become known.

Passenger facility charges: Passenger Facility Charges (PFC) net receipts are restricted for use on pre-approved Federal Aviation Administration (FAA) projects, including related debt service. The FAA has approved PFC funding for twenty-six projects that comprise a significant portion of RIAC's capital improvement program. RIAC has been authorized to collect PFCs in the aggregate amount of approximately \$261,936,000 based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2017 were approximately \$171,661,000. Passenger facility charges are recorded as nonoperating revenue as earned, based on enplaned passengers.

Customer facility charges: Effective July 1, 2001, rental car agencies operating under lease agreements with RIAC were required to impose a customer facility charge (CFC) per transaction day on substantially all car rentals. Effective April 1, 2014 the CFC is \$6.00. CFC revenue is recorded as operating revenue as earned, based upon daily car rentals reported by the rental car agencies. Additional CFC revenues resulting from audits of the rental car agency records are recognized when such amounts become known. See Note 10 for further discussion.

Grants and capital contributions: Certain expenditures for airport capital improvements are funded through the Airport Improvement Program of the FAA. The funding provided under these government grants is considered earned when eligibility requirements are met.

Grants for capital asset acquisition, facility development and eligible long-term planning studies are reported in the statements of revenues, expenses and changes in net position after nonoperating revenues and expenses as capital contributions.

Revenues from other grants are recognized as nonoperating revenue as soon as all eligibility requirements imposed by the grantor have been met.

Contributions of capital assets by the State are reported as capital contributions at the same net book value as previously reported by the State. Capital assets conveyed to RIAC, based on the expiration of certain concession and lease agreements, are reported as capital contributions at acquisition value. Contributions of capital assets to the State are reported as capital contributions at the same net book value as reported by RIAC.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Noise mitigation program: The Noise Mitigation Program consists of the acquisition of properties under the “70 Day Night Level” (DNL) land acquisition program and the 65 DNL sound insulation program, which are funded in part by federal grants. The noise mitigation-land acquisition program includes the purchase and demolition of homes within the 70 DNL contours, as well as related relocation costs of the occupants. The noise mitigation-sound insulation program includes the sound insulation and related measures for eligible homes and apartments within the 65 DNL contours. The acquisition and sound insulation of the homes and apartments are on a voluntary basis. Costs related to these programs are expensed as incurred, except for the value of land acquired, which is capitalized. Revenue and expenses for this program are included in grant revenues and grant expenses, respectively, in the nonoperating section of the statements of revenues, expenses and changes in net position. Federal grants covered approximately 80% to 90% of project costs in fiscal years 2017 and 2016, respectively. Amounts can fluctuate based on the value of the land capitalized and amount of federal funding.

Runway protection zone - land acquisition program: The Land Acquisition Program consists of the voluntary acquisition of properties located in the newly defined Runway Protection Zone (RPZ) for the Runway 5-23 extension, which is funded in part by federal grants. Costs related to this program are expensed as incurred, except for the value of land acquired, which is capitalized. Revenue and expenses for this program are included in grant revenues and grant expenses, respectively, in the nonoperating section of the statements of revenues, expenses and changes in net position. Federal grants covered approximately 55% and 85% of project costs in fiscal years 2017 and 2016, respectively. Amounts can fluctuate based on the value of land capitalized and amount of federal funding.

Pension plans: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees’ Retirement System plan (ERS) and the additions to/deductions from ERS’ fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Pronouncements issued, not yet effective: The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations.

- **GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide:
 - Governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability—the difference between the total OPEB liability and assets accumulated in the trust and restricted to making benefit payments.
 - Governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 1. Nature of the Organization and Summary of Significant Accounting Policies (Continued)

- Governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees.

Statement 75 carries forward from Statement 45 the option to use a specified alternative measurement method in place of an actuarial valuation for purposes of determining the total OPEB liability for benefits provided through OPEB plans in which there are fewer than 100 plan members (active and inactive). This option was retained in order to reduce costs for smaller governments. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. RIAC will recognize its proportionate share of the State's OPEB liability in fiscal 2018 and restate net position at July 1, 2017.

- **GASB Statement No. 87, Leases** This Statement was established to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier adoption is permitted. RIAC is currently evaluating the effect that the Statement will have on the financial statements.

Reclassification: Certain amounts for the year ended June 30, 2016 have been reclassified, with no effect on 2016 net income, to be consistent with the classification adopted for the year ended June 30, 2017.

Note 2. Cash, Cash Equivalents and Investments

Components of cash, cash equivalents and investments at June 30 are summarized below:

	2017	2016
Unrestricted cash and cash equivalents:		
Demand deposits	\$ 36,001,969	\$ 30,675,011
Restricted cash, cash equivalents and investments:		
Demand deposits	31,044,427	24,038,041
U.S. Treasury notes	6,184,550	3,939,134
Total restricted cash, cash equivalents and investments	37,228,977	27,977,175
Non-current restricted cash, cash equivalents and investments:		
Demand deposits	7,431,647	10,239,374
Money market funds	43,861,309	23,692,246
U.S. Treasury notes	4,895,560	2,262,918
Total non-current restricted cash, cash equivalents and investments	56,188,516	36,194,538
Total	\$ 129,419,462	\$ 94,846,724

Rhode Island Airport Corporation

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, RIAC will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. RIAC has a deposit policy for custodial credit risk in addition to that which is provided by Rhode Island General Laws, Chapter 35-10.1 under which an amount equal to or greater than 100 percent of the uninsured bank balances of RIAC's cash deposits are collateralized with securities held by the pledging bank's trust department or agent in RIAC's name. In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100 percent of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100 percent of deposits, regardless of maturity.

Eligible collateral per the agreement and Rhode Island General Laws, Chapter 35-10.1 includes the following: obligations of the United States; obligations of the State of Rhode Island; obligations of any other state with a rating not less than "A" by Standard and Poor's Ratings Services or Moody's Investor Services, Inc.; certain one-to-four family residential mortgage loans, providing they meet certain provisions; and other marketable securities and debt instruments determined to be satisfactory for purposes of providing liquid assets in the event of default or insolvency of a qualified depository institution providing that this type of collateral does not exceed 10 percent of the total collateral pledged by the financial institution.

The bank balances of RIAC's cash deposits totaling \$74,939,624 and \$66,522,610 that were exposed to custodial credit risk as of June 30, 2017 and 2016, respectively, are as follows:

	2017	2016
Uninsured, but collateralized with securities held by the pledging bank's trust department or agent in RIAC's name	\$ 74,689,624	\$ 66,272,510

Investments:

Interest rate risk: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, RIAC's investment policy limits its investments to those that provide for sufficient liquidity to meet all operating requirements, annual debt service and a reasonable rate of return. Information about the exposure of the entity's debt type investments to this risk using segmented time distribution model is as follows:

Type of Investment	Fair Value	2017	
		Investment Maturities (in Years)	
		Less Than 1 Year	1-5 Years
Money market funds	\$ 43,861,309	\$ 43,861,309	\$ -
U.S. Treasury notes	11,080,110	6,184,550	4,895,560
	<u>\$ 54,941,419</u>	<u>\$ 50,045,859</u>	<u>\$ 4,895,560</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Type of Investment	Fair Value	2016	
		Investment Maturities (in Years)	
		Less Than 1 Year	1-5 Years
Money market funds	\$ 23,692,246	\$ 23,692,246	\$ -
U.S. Treasury notes	6,202,052	3,939,134	2,262,918
	<u>\$ 29,894,298</u>	<u>\$ 27,631,380</u>	<u>\$ 2,262,918</u>

Credit risk: Generally, credit risk is the risk that an issuer of a debt-type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure.

Presented below is the minimum rating as required for each debt-type investment. RIAC's investment policies are pursuant to the Master Indentures of Trust (Indentures) and Rhode Island General Laws. Rhode Island General Laws and the Indentures permit RIAC to invest in certificates of deposit, savings accounts, money market funds, obligations of the United States Government or certain obligations thereof, repurchase agreements with any eligible depository for a period not to exceed 30 days, commercial paper with a rating of P-1, A-1 or higher as approved by RIAC's Board of Directors, and investment grade corporate debentures with a rating of AAA, AA by Standard & Poor's Ratings Services and Aaa, Aa by Moody's Investor Service, Inc.

	2017	2016
	AAA	AAA
Money market funds	<u>\$ 43,861,309</u>	<u>\$ 23,692,246</u>

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, RIAC will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. RIAC does not have a policy for custodial credit risk.

RIAC's investments are held by the counterparty in RIAC's name.

Concentration of credit risk: RIAC places no limit on the amount of investment in any one issuer. In accordance with GASB Statement No. 40, none of RIAC's investments require concentration of credit risk disclosures.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 2. Cash, Cash Equivalents and Investments (Continued)

Fair value: RIAC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. RIAC has the following recurring fair value measurements as of June 30, 2017:

Investment Instruments Measured at Fair Value

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
June 30, 2017			
Investments by fair value level:			
Debt securities:			
U.S. Treasury notes	\$ 11,080,110	\$ 11,080,110	\$ -
Total investments by fair value level	\$ 11,080,110	\$ 11,080,110	\$ -

Investment Instruments Measured at Fair Value

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)
June 30, 2016			
Investments by fair value level:			
Debt securities:			
U.S. Treasury notes	\$ 6,202,052	\$ 6,202,052	\$ -
Total investments by fair value level	\$ 6,202,052	\$ 6,202,052	\$ -

U.S. Treasury notes: U.S. Treasury notes, classified as Level 1, are valued based on quoted prices in active markets.

Note 3. Accounts Receivable

Accounts receivable consist of the following as of June 30, 2017 and 2016:

	2017	2016
Unrestricted:		
Accounts receivable, trade	\$ 1,647,271	\$ 2,600,790
Due from federal government	24,517,127	16,444,588
Due from primary government	3,140,615	298,514
Other	223,920	77,740
	29,528,933	19,421,632
Less: allowance for uncollectible amounts	234,209	324,477
	<u>\$ 29,294,724</u>	<u>\$ 19,097,155</u>

The amounts due from the federal government are based on expenditures incurred by RIAC under terms of grant agreements or legislation.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 3. Accounts Receivable (Continued)

	2017	2016
Restricted:		
Due from airlines - passenger facility charges	\$ 1,047,282	\$ 672,473
Due from car rental agencies - InterLink facility revenues	764,659	675,609
Other	19,430	80
	<u>\$ 1,831,371</u>	<u>\$ 1,348,162</u>

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2017 and 2016 is as follows:

	2017		
	Beginning Balance	Increases/ Transfers	Decreases/ Transfers
Capital assets, not being depreciated/ amortized:			Ending Balance
Land	\$ 46,892,697	\$ 4,434,545	\$ -
Construction in progress	15,484,928	35,211,090	(8,862,435)
Total capital assets, not being depreciated / amortized	62,377,625	39,645,635	(8,862,435)
Capital assets, being depreciated/amortized:			
Assets leased from the State	30,608,849	-	-
Leasehold improvements	750,157,377	14,333,829	-
Machinery and equipment	55,514,536	3,886,945	(368,585)
Vehicles	2,130,156	235,877	(172,908)
Total capital assets being depreciated/amortized	838,410,918	18,456,651	(541,493)
Less accumulated depreciation/ amortization for:			
Assets leased from the State	(28,356,969)	(918,467)	-
Leasehold improvements	(276,061,028)	(24,210,729)	-
Machinery and equipment	(37,371,623)	(3,502,653)	368,088
Vehicles	(1,718,961)	(91,889)	166,946
Total accumulated depreciation and amortization	(343,508,581)	(28,723,738)	535,034
Total capital assets, being depreciated/amortized, net	494,902,337	(10,267,087)	(6,459)
Total capital assets, net	<u>\$ 557,279,962</u>	<u>\$ 29,378,548</u>	<u>\$ (8,868,894)</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 4. Capital Assets (Continued)

	2016			
	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated/ amortized:				
Land	\$ 45,467,689	\$ 1,657,866	\$ (232,858)	\$ 46,892,697
Construction in progress	52,583,764	24,871,970	(61,970,806)	15,484,928
Total capital assets, not being depreciated/amortized	98,051,453	26,529,836	(62,203,664)	62,377,625
Capital assets, being depreciated/amortized:				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	688,380,225	61,895,291	(118,139)	750,157,377
Machinery and equipment	54,967,857	1,056,753	(510,074)	55,514,536
Vehicles	2,125,256	226,976	(222,076)	2,130,156
Total capital assets being depreciated/amortized	776,082,187	63,179,020	(850,289)	838,410,918
Less accumulated depreciation/ amortization for:				
Assets leased from the State	(27,438,495)	(918,474)	-	(28,356,969)
Leasehold improvements	(253,062,663)	(23,044,144)	45,779	(276,061,028)
Machinery and equipment	(34,296,123)	(3,572,192)	496,692	(37,371,623)
Vehicles	(1,885,616)	(55,421)	222,076	(1,718,961)
Total accumulated depreciation and amortization	(316,682,897)	(27,590,231)	764,547	(343,508,581)
Total capital assets, being depreciated/amortized, net	459,399,290	35,588,789	(85,742)	494,902,337
Total capital assets, net	\$ 557,450,743	\$ 62,118,625	\$ (62,289,406)	\$ 557,279,962

Capitalized interest included in capital asset additions for the years ended June 30, 2017 and 2016 is as follows:

	2017	2016
Interest expense capitalized	\$ 1,758,391	\$ -

As of June 30, 2017 and 2016, RIAC was obligated for the completion of certain airport improvements under commitments of approximately \$29,000,000 and \$13,880,000, respectively, which are expected to be funded from available resources and future operations.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of June 30, 2017 and 2016:

	2017	2016
Payable from unrestricted assets:		
Accounts payable and accrued expenses, trade	\$ 4,752,550	\$ 4,313,813
Accounts payable and accrued expenses, capital assets and grant expenses	21,337,391	6,513,086
	<u>\$ 26,089,941</u>	<u>\$ 10,826,899</u>

	2017	2016
Payable from restricted assets:		
Accounts payable and accrued expenses, Interlink	\$ 525,302	\$ 419,618
Accounts payable and accrued expenses, security deposits	615,407	590,259
Accounts payable and accrued expenses, capital assets and grant expenses	4,244,528	1,556,178
	<u>\$ 5,385,237</u>	<u>\$ 2,566,055</u>

Note 6. Long-Term Obligations

Long-term obligations activity for the years ended June 30, 2017 and 2016 is as follows:

	2017				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue and special facility bonds payable	\$ 269,830,207	\$ 40,330,000	\$ (14,232,437)	\$ 295,927,770	\$ 16,552,851
Unamortized amounts:					
Original issue premiums	1,675,687	7,194,108	(420,925)	8,448,870	361,077
Total bonds payable	271,505,894	47,524,108	(14,653,362)	304,376,640	16,913,928
Other liabilities:					
State of Rhode Island payable	390,000	-	(115,000)	275,000	-
TIFIA loan	41,540,891	-	-	41,540,891	-
Capital lease	-	2,896,214	-	2,896,214	392,999
Net pension liability	2,226,207	-	(388,237)	1,837,970	-
Due to other component unit	1,712,976	-	(281,247)	1,431,729	235,000
	<u>\$ 317,375,968</u>	<u>\$ 50,420,322</u>	<u>\$ (15,437,846)</u>	<u>\$ 352,358,444</u>	<u>\$ 17,541,927</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

	2016				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue and special facility bonds payable	\$ 287,439,213	\$ 88,136,919	\$ (105,745,925)	\$ 269,830,207	\$ 15,331,099
Unamortized amounts:					
Original issue premiums	5,387,480	-	(3,711,793)	1,675,687	181,116
Total bonds payable	292,826,693	88,136,919	(109,457,718)	271,505,894	15,512,215
Other liabilities:					
State of Rhode Island payable	495,000	-	(105,000)	390,000	-
Note payable	45,409	-	(45,409)	-	-
TIFIA loan	41,540,891	-	-	41,540,891	-
Net pension liability	1,973,129	253,078	-	2,226,207	-
Due to other component unit	1,615,023	97,953	-	1,712,976	235,000
	<u>\$ 338,496,145</u>	<u>\$ 88,487,950</u>	<u>\$ (109,608,127)</u>	<u>\$ 317,375,968</u>	<u>\$ 15,747,215</u>

Revenue and special facility bonds payable: Revenue and special facility bonds payable consist of the following bond issues as of June 30, 2017 and 2016:

Description	Date of Maturity	Interest Rate	2017	2016
2008 Series A, B and C bonds	07/01/2038	3.5%-5.25%	\$ 33,465,000	\$ 36,360,000
2013 Series A bonds	09/01/2034	0.51%-2.73%	31,040,000	31,328,133
2013 Series B bonds	07/01/2028	4.1%-5.0%	30,700,000	30,700,000
2015 Series A bonds	07/01/2024	2.0%	37,505,000	42,345,000
2016 Series A bonds	07/01/2025	2.49%	23,614,820	26,649,797
2016 Series B bonds	07/01/2030	3.69%	26,970,000	26,970,000
2016 Series C bonds	07/01/2025	2.24%	27,957,950	30,212,277
2016 Series D bonds	07/01/2046	5.0%	36,885,000	-
2016 Series E bonds	07/01/2021	1.95%-2.75%	3,445,000	-
Total revenue bonds payable			251,582,770	224,565,207
2006 First Lien Special Facility Bonds	07/01/2036	4.0%-5.0%	44,345,000	45,265,000
Total revenue and special facility bonds payable			<u>\$ 295,927,770</u>	<u>\$ 269,830,207</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Aggregate scheduled principal and interest payments due on RIAC's revenue, special facility and TIFIA bonds/loans, including the State of Rhode Island payable, as of June 30, 2017 through maturity are as follows:

Year ending June 30:	Principal	Interest	Total
2018	\$ 16,992,893	\$ 13,635,925	\$ 30,628,818
2019	17,604,771	13,174,361	30,779,132
2020	18,091,132	12,517,410	30,608,542
2021	18,641,429	11,677,699	30,319,128
2022	19,220,412	11,034,265	30,254,677
2023-2027	89,459,311	45,963,760	135,423,071
2028-2032	61,153,013	30,730,332	91,883,345
2033-2037	48,328,892	19,472,818	67,801,710
2038-2042	38,031,527	8,565,461	46,596,988
2043	10,220,281	1,617,625	11,837,906
	<u>\$337,743,661</u>	<u>\$168,389,656</u>	<u>\$506,133,317</u>

Revenue bonds are issued by Commerce RI on behalf of RIAC. The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds, except for the 2006 First Lien Special Facility Bonds, are secured by the net revenues derived from the operation of the airports. As required by the Master Indenture, RIAC must attain a Debt Service Coverage Ratio of 1.25 as well as meet other nonfinancial covenants. As of June 30, 2017, RIAC was in compliance with all covenants. The 2006 First Lien Special Facility Bonds are secured solely by the net revenues derived from the InterLink.

Pledged revenues from airport operations: Per its Master Indenture of Trust and Supplemental Indentures, RIAC has pledged net revenues derived from the operation by RIAC of the Airport and Certain General Aviation Airports to repay approximately \$264,895,000 in airport revenue bonds including approximately \$87,945,000 of related interest as of June 30, 2017. Proceeds from the bonds were used for various airport improvement projects. Amounts Available to Pay Debt Service per the Master Indenture, including pledged Passenger Facility Charges, were approximately \$44,066,000 and \$40,706,000 for the years ended June 30, 2017 and June 30, 2016, respectively. Principal and interest payments per the terms of the Master Indenture for the years ended June 30, 2017 and June 30, 2016 were approximately \$22,547,100 and \$19,048,000, respectively.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Obligations supported by Pledged Airport Net Revenue including the State of Rhode Island payable are as follows:

Year ending June 30:	Principal	Interest	Total
2018	\$ 15,547,850	\$ 8,649,521	\$ 24,197,371
2019	16,051,581	8,237,728	24,289,309
2020	16,413,579	7,642,438	24,056,017
2021	16,843,231	7,291,374	24,134,605
2022	17,390,219	6,837,929	24,228,148
2023-2027	77,531,037	26,717,253	104,248,290
2028-2032	44,642,015	15,162,606	59,804,621
2033-2037	22,982,978	8,891,989	31,874,967
2038-2042	14,335,000	4,698,500	19,033,500
2043-2046	10,120,280	1,549,125	11,669,405
	<u>\$251,857,770</u>	<u>\$ 95,678,463</u>	<u>\$347,536,233</u>

State of Rhode Island payable: The Lease Agreement with the State requires RIAC to make annual payments to the State in an amount equal to the principal and interest payments due to bondholders under certain airport-related General Obligation Bonds issued on behalf of RIAC. Although the original airport-related General Obligation Bonds were defeased in June 2002, the terms of the Lease Agreement require RIAC to continue to remit payments to the State based upon the amortization schedule of original airport-related General Obligation Bonds through June 2023 (see Note 9). As of June 30, 2017 and 2016, the amounts owed were approximately \$275,000 and \$390,000, respectively.

TIFIA loan: In June 2006, RIAC, the Commerce RI and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement), agreement number TIFIA – No. 2006-1001, which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation (US DOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement is to reimburse Commerce RI and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink. RIAC was permitted under the Agreement to make requisitions of funds for eligible project costs through fiscal year 2013. RIAC began making payments of interest in fiscal year 2012, with interest at a rate of 5.26 percent. Payments are made on behalf of Commerce RI (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2017, RIAC had approximately \$41,541,000 in borrowings under this Agreement. See Note 9 for schedule of obligations to be paid from InterLink net revenues.

Capital lease: In July 2016, RIAC entered into a capital lease agreement for machinery and equipment. Lease payments are due annually and expire in fiscal year 2024. Assets recorded under capital lease amount to \$2,896,214 and had accumulated depreciation of \$406,668 as of June 30, 2017.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 6. Long-Term Obligations (Continued)

Future minimum rental payments under capital lease at June 30, 2017 are as follows:

Years ending June 30,	
2018	\$ 442,525
2019	442,525
2020	442,525
2021	442,525
2022	442,525
2023-2024	885,049
Total minimum lease payments	3,097,674
Less amounts representing interest	201,460
Present value of minimum capital lease payments	2,896,214
Less current portion	392,999
Capital lease obligation, net of current portion	<u>\$ 2,503,215</u>

Note 7. Net Position

Restricted net position of RIAC consists of the following as of June 30, 2017 and 2016:

	2017	2016
Restricted:		
Capital acquisition and construction	\$ 8,551,700	\$ 10,289,613
Passenger facility charges	10,762,311	6,044,136
InterLink	23,838,923	20,734,437
Operating and maintenance reserve - airports	4,906,000	4,830,000
Operating and maintenance reserve - InterLink	735,000	735,000
Emergency renewal and replacement reserve - InterLink	2,000,000	2,000,000
Repair and rehabilitation reserve - airports	500,000	500,000
	<u>\$ 51,293,934</u>	<u>\$ 45,133,186</u>

Under the Master Indenture of Trust adopted in 1993, RIAC agreed to create and maintain two reserves. The operating and maintenance reserve is to be equal to two months operating and maintenance expenses and is to be used only if RIAC does not have sufficient funds in its current operating accounts to pay these expenses on a timely basis. The repair and rehabilitation reserve is to be equal to at least \$500,000 and can be used solely for emergency repairs and rehabilitation to airport facilities. Both reserves have been funded as required and neither has been used to date. The InterLink has assets that are restricted per the First Supplemental Indenture of Trust dated June 1, 2006. The operating and maintenance reserve is to be equal to one-half of the amount set forth in the annual budget. The emergency renewal and replacement reserve is to be equal to \$2,000,000. Both reserves have been funded as required and neither has been used to date.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 7. Net Position (Continued)

Unrestricted net position consists of the following as of June 30, 2017 and 2016:

	2017	2016
Unrestricted net position designated for capital acquisition, construction and operating costs	\$ 5,100,000	\$ 5,100,000
Unrestricted, undesignated net position	28,414,954	28,879,139
	<u>\$ 33,514,954</u>	<u>\$ 33,979,139</u>

Note 8. Operating Leases as Lessor

Future minimum contractual rental payments to be received under non-cancelable leases including airline and concession agreements are as follows:

Year ending June 30:

2018	\$ 19,219,582
2019	17,444,105
2020	17,502,966
	<u>\$ 54,166,653</u>

In the event of tenant default, RIAC has the right to reclaim its leased property together with any improvements thereon.

InterLink future minimum contractual rental payments to be received under non-cancelable lease including rental car agency agreements are as follows:

Year ending June 30:

2018	\$ 1,641,401
2019	1,645,996
2020	1,645,996
2021	1,645,996
2022	1,645,996
2023-2027	8,229,980
2028-2030	4,937,988
	<u>\$ 21,393,353</u>

Note 9. Related Party Transactions

The Lease Agreement between RIAC and the State is for a 30-year term as extended (see Note 1) under which the State has agreed to lease various assets to RIAC for \$1 per year. In addition, the Lease Agreement requires RIAC to make annual payments to the State through June 2023 in amounts equal to the principal and interest payments due bondholders under certain airport-related General Obligation Bonds issued by the State on behalf of RIAC (see Note 6). In the event RIAC does not have sufficient funds to make the required payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no right to terminate the Lease Agreement so long as there are bonds and subordinate indebtedness outstanding.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 9. Related Party Transactions (Continued)

Accounts receivable from the State of Rhode Island totaled \$3,140,615 and \$298,514 as of June 30, 2017 and 2016, respectively, and are included in due from primary government in the accompanying statements of net position. Amounts due from the State of Rhode Island relate to capital project costs.

Net amounts due to the Quonset Development Corporation (QDC) totaled \$1,431,729 and \$1,712,976 as of June 30, 2017 and 2016, respectively, and are included in due to other component unit in the accompanying statements of net position. Amounts due from QDC relate to revenues from revenue producing parcels less related operating expenses managed by QDC on behalf of RIAC. Amounts due to QDC relate to capital project costs paid by QDC, to be paid in ten equal annual installments of \$235,000 and one installment of \$5,803 commencing June 30, 2017.

Note 10. InterLink Facility

The InterLink Facility includes consolidated facilities for Airport rental car operations; a train platform to provide access for commuter rail service south to Wickford, Rhode Island and north to both Providence and Boston; and a parking garage for rental car operators and rail commuters. An elevated and enclosed skywalk system connects the InterLink Facility to the Airport.

Net Income for the InterLink is recorded as Operating Revenue in RIAC's statements of revenues, expenses and changes in net position. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, and Net Commuter Parking Revenues. CFC revenues, including audit recoveries, were \$5,821,867 and \$6,055,723 for fiscal years 2017 and 2016, respectively. Operating Expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds, the USDOT's and TIFIA loan. Interest income on accounts associated with the InterLink is also included in this line item. A breakdown of activity from the InterLink Facility is as follows:

	2017	2016
Facility revenues	\$ 7,527,431	\$ 7,773,044
Operating and maintenance expense	1,352,973	1,314,020
InterLink operating income before depreciation and amortization	6,174,458	6,459,024
Depreciation and amortization	4,600,881	4,586,505
Operating income	1,573,577	1,872,519
Interest expense	(4,408,212)	(4,453,263)
Interest income	171,084	72,419
Net loss InterLink facility	\$ (2,663,551)	\$ (2,508,325)

Rhode Island Airport Corporation

Notes to Financial Statements

Note 10. InterLink Facility (Continued)

Pledged revenues from the InterLink facility: RIAC has pledged Facility Revenues related to the InterLink, net of specified operating expenses, to repay \$44,345,000 in First Lien Special Facility Bonds and \$41,540,891 in the TIFIA loan and related interest of approximately \$71,138,000 as of June 30, 2017. Proceeds from the bonds were used for the construction of the InterLink. Facility revenues, including interest income, net of specified operating expenses, were approximately \$6,345,000 and \$6,531,000 for the years ended June 30, 2017 and June 30, 2016, respectively. Principal and interest payments per the terms of the indenture of trust on the First Lien Special Facility Bonds for the years ended June 30, 2017 and June 30, 2016 were approximately \$3,215,000 and \$3,176,000, respectively. Principal and interest payments on the TIFIA loan for the years ended June 30, 2017 and June 30, 2016 were approximately \$2,185,000 for both years.

Obligations supported by Pledged InterLink Net Revenues are as follows:

Year ending June 30:	Principal	Interest	Total
2018	\$ 1,445,043	\$ 4,834,807	\$ 6,279,850
2019	1,553,190	4,792,094	6,345,284
2020	1,677,553	4,737,594	6,415,147
2021	1,798,198	4,256,225	6,054,423
2022	1,930,193	4,073,651	6,003,844
2023-2027	11,928,274	18,750,446	30,678,720
2028-2032	16,510,998	15,288,722	31,799,720
2033-2037	25,345,914	10,537,912	35,883,826
2038-2042	23,696,528	3,866,961	27,563,489
	<u>\$ 85,885,891</u>	<u>\$ 71,138,412</u>	<u>\$ 157,024,303</u>

Note 11. Pension Plans

Defined benefit pension plan:

Plan description: Certain employees of RIAC participate in a cost-sharing multiple-employer defined benefit plan - the Employees' Retirement System plan – administered by the Employees' Retirement System of the State of Rhode Island (the System). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits of the employees of any participating employer providing pension benefits through the plan, regardless of the status of the employers' payment of its pension obligation to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 11. Pension Plans (Continued)

Benefit provisions: The level of benefits provided to participants is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly. Member benefit provisions vary based on service credits accumulated at dates specified in various amendments to the General Laws outlining minimum retirement age, benefit accrual rates and maximum benefit provisions. In general, members accumulate service credits for each year of service subject to maximum benefit accruals of 80 percent or 75 percent. For those hired after June 30, 2012, the benefit accrual rate is 1 percent per year with a maximum benefit accrual of 40 percent. Members eligible to retire at September 30, 2009 may retire with 10 years of service at age 60 or after 28 years of service at any age. The retirement eligibility age increases proportionately for other members reflecting years of service and other factors until it aligns with the Social Security Normal Retirement Age, which applies to any member with less than 5 years of service as of July 1, 2012. Members are vested after 5 years of service.

The plan provides for survivor's benefits for service-connected death and certain lump sum benefits. Joint and survivor benefit provision options are available to members.

Cost of living adjustments are provided but are currently suspended until the collective plans covering state employees and teachers reach a funded status of 80 percent. Until the plans reach an 80 percent funded status, interim cost of living adjustments are provided at five-year intervals.

The plan also provides nonservice-connected disability benefits after 5 years of service, and service-connected disability benefits with no minimum service requirement.

Contributions: The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2017, RIAC employees are required to contribute 3.75 percent of their annual covered salary. RIAC is required to contribute at an actuarially determined rate; the rate was 25.34 percent of annual covered payroll for the fiscal year ended June 30, 2017. RIAC contributed \$157,396, \$139,444 and \$175,135 for the fiscal years ended June 30, 2017, 2016 and 2015, respectively, equal to 100 percent of the required contributions for each year.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources: At June 30, 2017, RIAC reported a liability of \$1,837,970 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016. RIAC's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2016 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2016 and 2015, RIAC's proportion was 0.09 and 0.11 percent, respectively.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 11. Pension Plans (Continued)

For the year ended June 30, 2017 and 2016, RIAC recognized pension expense of \$49,100 and \$278,587, respectively. At June 30, 2017 and 2016, RIAC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	2016
<u>Deferred outflows of resources</u>		
Contributions subsequent to measurement date	\$ 157,396	\$ 139,444
Net difference between projected and actual earnings on pension plan investments	131,197	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	20,762
	<u>\$ 288,593</u>	<u>\$ 160,206</u>
<u>Deferred inflows of resources</u>		
Difference between expected and actual experience	\$ 48,672	\$ 25,755
Changes in proportion and differences between employer contributions and proportionate share of contributions	394,866	-
Change of assumptions	9,126	16,749
Net difference between projected and actual earnings on pension plan investments	-	1,832
	<u>\$ 452,664</u>	<u>\$ 44,336</u>

Contributions of \$157,396 are reported as deferred outflows of resources related to pensions resulting from RIAC's contributions in fiscal year 2017 subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2018	\$ (94,334)
2019	(94,334)
2020	(62,415)
2021	(70,384)

Actuarial assumptions: The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 6.50%
Investment rate of return	7.50%

Mortality rates were based on 115 percent (males) and 95 percent (females) of the RP-2000 combined healthy mortality tables with white collar adjustments projected with scale AA from 2000.

The actuarial assumptions used in the June 30, 2015 valuations rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 11. Pension Plans (Continued)

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 23 sources. The June 30, 2017 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected Real Rate of Return
Global Equity	38%	
U.S. Equity		6.98%
International Developed		7.26%
International Emerging Markets		9.57%
Equity Hedge Funds	8%	4.10%
Private Equity	7%	10.15%
Core Fixed	15%	2.37%
Absolute Return Hedge Funds	7%	4.19%
Infrastructure	3%	5.58%
Real Estate	8%	5.33%
Other Real Return Assets:	11%	
Master Limited Partnerships		4.97%
Credit		4.97%
Inflation Linked Bonds		1.76%
Cash	3%	0.82%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7% which will be reflected in the determination of the net pension liability (asset) for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 11. Pension Plans (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability calculated using the discount rate of 7.5 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 2,250,667	\$ 1,837,970	\$ 1,500,111

Pension Plan Fiduciary Net Position: As noted earlier, ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The report contains detailed information about the pension plan's fiduciary net position.

Defined contribution plan description: Employees participating in the defined benefit plan, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS Section 401(a) and is administered by TIAA-CREF. Employees may choose among various investment options available to plan participants. Employees contribute 5 percent of their annual covered salary and employers contribute 1 percent of annual covered salary. Employee contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the employee and employer are established by the General Laws, which are subject to amendment by the General Assembly.

RIAC contributed \$1,269, \$1,796 and \$7,511 for the fiscal years ended June 30, 2017, June 30, 2016, and June 30, 2015, respectively, equal to 100 percent of the required contributions for these years.

Plan vesting and contribution forfeiture provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the member and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains age 70½ or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 11. Pension Plans (Continued)

Money purchase pension plan: Employees hired by RIAC on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by RIAC. The number of RIAC employees covered by this Plan throughout the year averaged 140 in 2017 and 141 in 2016. RIAC's total payroll for the year ended June 30, 2017 was approximately \$13,192,000, of which \$11,163,000 was covered under the Plan. RIAC's total payroll for the year ended June 30, 2016 was approximately \$12,600,000, of which \$10,710,000 was covered under the Plan.

In order to participate in the Plan, covered employees must contribute 8 percent of their base pay to the Plan. Participants are 100 percent vested in the amounts they contribute. Withdrawals of these contributed amounts are not permitted prior to termination of employment. RIAC matches 100 percent of participants' required contributions under a one-year vesting schedule. Total contributions for the year ended June 30, 2017 were approximately \$893,000 by the employer and \$902,000 by the employees, respectively. Total contributions for the year ended June 30, 2016 were approximately \$857,000 by the employer and \$866,000 by the employees, respectively.

The Board of Directors of RIAC has the authority to establish and/or amend the Plan's provisions and the Plan's contribution requirements.

The assets of the Money Purchase Pension Plan are not the assets of RIAC, and RIAC has no fiduciary responsibility; thus, they are not included in this financial statement.

Note 12. Other Post-Employment Benefits

Plan description: RIAC contributes (for certain employees) to the State Employees' defined benefit post-employment health care plan, a cost sharing multiple employer plan administered through the Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System). The State of Rhode Island OPEB Board (Board) was authorized, created and established under Chapter 36-12.1 of the RI General Laws. The Board was established to independently hold and administer, in trust, the funds of the OPEB system. The plan provides medical benefits to certain retired employees of participating employers including RIAC.

Pursuant to legislation enacted by the General Assembly, a trust has been established to accumulate assets and pay benefits and other costs associated with the system.

The OPEB system issues a stand-alone financial report. A copy can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02908.

Funding policy: RIGL Sections 36-12.1, 36-12-2.2, and 36-12-4 govern the provisions of the OPEB System. The contribution requirements of plan members, the State, and other participating employers are established and may be amended by the General Assembly. Active employees make no contribution to the OPEB plan. Employees who retired after October 1, 2008 must contribute 20 percent of the annual estimated benefit cost (working rate) or annual premium for Medicare supplemental coverage. Employees retiring before October 1, 2008 have varying co-pay percentages ranging from 0 percent to 50 percent based on age and years of service at retirement. Further information about the contributions of plan members can be found in the financial report of the OPEB System.

For fiscal year 2017, employers were required to contribute 5.97 percent of covered payroll. The employer required contribution rate is determined on an actuarially determined basis consistent with a funding approach outlined in the General Laws and as adopted by the OPEB System Board. RIAC fully funded its required contribution to the Plan for the years ended June 30, 2017, 2016 and 2015 which was \$37,163, \$37,104 and \$53,098, respectively.

Rhode Island Airport Corporation

Notes to Financial Statements

Note 13. Risk Management

RIAC is self-insured for workers' unemployment. RIAC pays for unemployment claims as they are incurred. At June 30, 2017 and 2016 there are no material liabilities outstanding.

RIAC is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God; and catastrophic events for which RIAC carries commercial insurance. Neither RIAC nor its insurers have settled any claims which exceeded RIAC's insurance coverage in any of the last three fiscal years. There have been no significant reductions in any insurance coverage from amounts in the prior year.

Note 14. Major Customers

For the years ended June 30, 2017 and 2016, approximately 15 and 16 percent, respectively, of RIAC's revenue was derived from sales made to one customer. There were no accounts receivable from this customer as of June 30, 2017 and 2016.

RIAC has entered into Airport Use & Lease Agreements (Airline Agreements) with seven signatory airlines (including cargo). The term of the Airline Agreements originally extended through June 30, 2015, all of which were extended for a five-year renewal period by mutual written agreement in 2016. The Airline Agreements establish procedures for the annual adjustment of signatory airline terminal rental rates, apron rental rates and aircraft landing fees collected for the use and occupancy of terminal and airfield facilities. Rental rates are established based on estimated cost to operate, and at the end of each fiscal year, there is a reconciliation between RIAC and the signatory airlines.

Note 15. Contingencies

RIAC participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, RIAC may be required to reimburse the grantor government. As of June 30, 2017 and 2016, significant amounts of grant expenditures have not been audited by grantors, but RIAC believes that disallowed expenditures, if any, based on subsequent audits will not have a material adverse effect on the overall financial position of RIAC.

In addition, RIAC is also involved in certain other legal proceedings and claims that have arisen in the ordinary course of business. While the ultimate outcome of these legal proceedings cannot be predicted with certainty, management believes that their resolution will not have a material adverse effect on RIAC's financial statements.

In connection with these matters, RIAC has recorded estimated claims, judgments and other settlements totaling \$164,000 as of June 30, 2016. Such amounts are included in liabilities for claims, judgments and other settlements in the accompanying statements of net position.

Note 16. Subsequent Event

Subsequent to year-end, RIAC has agreed to pay a contractor and a consultant for change orders and task orders related to the Runway 16-34 Safety Area Improvements Project in an aggregate amount of \$6,100,000. The capital asset and related liability associated with these agreements have been recorded in the financial statements as of June 30, 2017.

Required Supplementary Information

Rhode Island Airport Corporation**Required Supplementary Information - unaudited
Schedule of RIAC's Proportionate Share of the Net Pension Liability
Last Three Fiscal Years**

	2017	2016	2015
Proportion of the net pension liability	0.0866042%	0.1120708%	0.1107314%
Proportionate share of the net pension liability	\$ 1,837,970	\$ 2,226,207	\$ 1,973,129
Covered employee payroll	\$ 621,137	\$ 589,865	\$ 750,686
Proportionate share of the net pension liability as a percentage of its covered employee payroll	295.90%	377.41%	262.84%
Plan fiduciary net position as a percentage of the total pension liability	51.88%	55.00%	58.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, RIAC will present the information for those years on which information is available.

Rhode Island Airport Corporation**Required Supplementary Information - unaudited
Schedule of RIAC's Contributions
Employee's Retirement System
Last Three Fiscal Years**

	2017	2016	2015
Statutorily determined contribution	\$ 157,396	\$ 139,444	\$ 175,135
Contributions in relation to the statutorily determined contribution	157,396	139,444	175,135
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 621,137	\$ 589,865	\$ 750,686
Contributions as a percentage of covered - employee payroll	25.34%	23.64%	23.33%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, RIAC will present the information for those years on which information is available.

Supplementary Information

State of Rhode Island Presentation - Statement of Net Position
June 30, 2017

	RIAC
Assets	
Current assets:	
Cash and cash equivalents	\$ 36,001,969
Investments	-
Receivables (net)	26,154,109
Restricted assets:	
Cash and cash equivalents	31,044,427
Investments	6,184,550
Receivables (net)	1,831,371
Other assets	75,877
Due from primary government	3,140,615
Due from other component units	-
Due from other governments	-
Inventories	-
Other assets	767,716
Total current assets	105,200,634
Noncurrent assets:	
Investments	-
Receivables (net)	341,668
Restricted assets:	
Cash and cash equivalents	51,292,956
Investments	4,895,560
Receivables (net)	-
Other assets	-
Due from other component units	-
Capital assets - nondepreciable	93,160,825
Capital assets - depreciable (net)	484,628,791
Other assets, net of amortization	815,333
Total noncurrent assets	635,135,133
Total assets	740,335,767
Deferred Outflows of Resources	
Hedging instruments	-
Deferred amounts on refunding	1,519,568
Deferred pension amounts	288,593
Other deferred outflows of resources	-
Total deferred outflows on refunding	1,808,161
Liabilities	
Current liabilities:	
Cash overdraft	-
Accounts payable	14,035,673
Due to primary government	-
Due to other component units	235,000
Due to other governments	-
Unearned revenue	453,763
Other current liabilities	24,071,081
Current portion of long-term debt	16,913,928
Total current liabilities	55,709,445
Noncurrent liabilities:	
Due to primary government	275,000
Due to other component units	1,196,729
Due to other governments	-
Net pension liability	1,837,970
Net OPEB obligation	-
Unearned revenue	-
Notes payable	41,540,891
Loans payable	-
Obligations under capital leases	2,503,215
Compensated absences	-
Bonds payable	287,462,712
Other liabilities	-
Total noncurrent liabilities	334,816,517
Total liabilities	390,525,962
Deferred Inflows of Resources	
Deferred amounts on refunding of debt	-
Deferred pension amounts	452,664
Total deferred inflows of resources	452,664
Net Position	
Net investment in capital assets	266,356,414
Restricted for:	
Debt	-
Other	51,293,934
Nonexpendable	-
Unrestricted	33,514,954
Total net position	\$ 351,165,302

State of Rhode Island Presentation - Statement of Activities
For the Year Ended June 30, 2017

	RIAC
Expenses	<u>\$ 88,669,118</u>
Program revenues:	
Charges for services	72,225,888
Operating grants and contributions	-
Capital grants and contributions	<u>28,224,414</u>
Total program revenues	<u>100,450,302</u>
Net (expenses) revenues	<u>11,781,184</u>
General revenues:	
Interest and investment earnings	568,835
Miscellaneous revenue	<u>108,428</u>
Total general revenue	<u>677,263</u>
Special items	-
Extraordinary items	<u>-</u>
Change in net position	<u>12,458,447</u>
Total net position - beginning	<u>338,706,855</u>
Total net position - ending	<u><u>\$ 351,165,302</u></u>

**State of Rhode Island Presentation - Schedule of Debt Service to Maturity- Long-Term Debt- Bonds
For the Year Ended June 30, 2017**

Fiscal year ending June 30:	Principal	Interest
2018	\$ 16,992,893	\$ 11,433,294
2019	17,069,728	10,988,926
2020	17,557,942	10,363,057
2021	18,108,876	9,545,548
2022	18,687,213	8,933,090
2023-2027	86,413,861	35,915,805
2028-2032	57,275,948	21,587,104
2033-2037	43,319,097	11,487,609
2038-2042	15,519,151	4,111,292
2043	4,983,061	1,481,018
	<u>\$ 295,927,770</u>	<u>\$ 125,846,743</u>

State of Rhode Island Presentation - Schedule of Debt Service to Maturity- Long-Term Debt -

TIFIA Payable

For the Year Ended June 30, 2017

Fiscal year ending June 30:

	Principal	Interest
2018	\$ -	\$ 2,185,050
2019	440,043	2,173,382
2020	463,190	2,146,678
2021	487,553	2,127,557
2022	513,199	2,098,287
2023-2027	3,000,450	10,045,461
2028-2032	3,877,065	9,143,228
2033-2037	5,009,795	7,985,209
2038-2042	22,512,376	4,454,169
2043	5,237,220	136,607
	<u>\$ 41,540,891</u>	<u>\$ 42,495,628</u>

**State of Rhode Island Presentation - Schedule of Changes in Long-Term Debt
For the Year Ended June 30, 2017**

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	\$ 269,830,207	\$ 40,330,000	\$ 14,232,437	\$ 295,927,770	\$ 16,552,851	\$ 279,374,919
Net unamortized premium/discount	1,675,687	7,194,108	420,925	8,448,870	361,077	8,087,793
Bonds payable	271,505,894	47,524,108	14,653,362	304,376,640	16,913,928	287,462,712
Notes payable	-	-	-	-	-	-
Loans payable	-	-	-	-	-	-
Obligations under capital leases	-	2,896,214	-	2,896,214	392,999	2,503,215
Net OPEB obligation	-	-	-	-	-	-
Net pension liability	2,226,207	-	388,237	1,837,970	-	1,837,970
Due to primary government	390,000	-	115,000	275,000	-	275,000
Due to component units	1,712,976	-	281,247	1,431,729	235,000	1,196,729
Due to other governments and agencies	-	-	-	-	-	-
Unearned revenue	442,542	11,221	-	453,763	453,763	-
Compensated absences	-	-	-	-	-	-
Reported as other liabilities:						
Arbitrage rebate	-	-	-	-	-	-
Pollution remediation	-	-	-	-	-	-
Items not listed above	41,540,891	-	-	41,540,891	-	41,540,891
Total other liabilities	41,540,891	-	-	41,540,891	-	41,540,891
	\$ 317,818,510	\$ 50,431,543	\$ 15,437,846	\$ 352,812,207	\$ 17,995,690	\$ 334,816,517

Rhode Island Airport Corporation

**Schedule of Travel and Business Development Expenses
For the Year Ended June 30, 2017**

Employee	Purpose	Date	Place	Amount
D. Porter	AAAE Accreditation/Certification	07/10/16 - 07/16/16	Alexandria, VA	\$ 2,055
P. Frazier	Airline Visit	08/01/16 - 08/04/16	Frankfurt, Germany	2,310
B. Schatttle	Airline Visit	08/01/16 - 08/04/16	Frankfurt, Germany	1,830
T. Pimental	Airline Visit	08/01/16 - 08/04/16	Frankfurt, Germany	2,043
P. McDonough	58th Annual NEC Conference	08/13/16 - 08/17/16	Wilmington, DE	1,403
R. Harrop	H.I.T.S. K9 Conference	08/28/16 - 09/01/16	Dallas, TX	1,242
B. Schatttle	Airline Visit	08/29/16 - 09/01/16	Ponta Delgada, Azores	1,194
P. Frazier	Airline Visit	08/29/16 - 09/01/16	Ponta Delgada, Azores	1,211
T. Pimental	Airline Visit	08/29/16 - 09/01/16	Ponta Delgada, Azores	1,191
B. Schatttle	RI Association of CPA's - Senator Reed Business Day	9/14/2016	Washington, DC	550
L. Messier	ALEAN Fall Conference	09/18/16 - 09/22/16	Las Vegas, NV	1,277
D. Shinsky	ALEAN Fall Conference	09/18/16 - 09/22/16	Las Vegas, NV	1,091
L. Messier	International Association of Chiefs of Police (IACP) 2016 Conference	10/14/16 - 10/19/16	San Diego, CA	2,777
K. Michaud	2016 ICON Conference	11/01/16 - 11/03/16	North Falmouth, MA	345
K. McCormick	Management Training	11/02/16 - 11/03/16	Worcester, MA	269
R. Ethier	S.C. Fire Academy	11/11/16 - 11/18/16	Columbia, SC	1,015
A. Jacques	AAAE Airport Law Workshop	11/12/16 - 11/16/16	San Francisco, CA	1,647
Various	Rhode Island Aviation Hall of Fame	11/19/2016	Cranston, RI	375
Various	Greater Providence Chamber of Commerce 2016 Annual Meeting	11/21/2016	Providence, RI	1,350
J. Warcup	Bell Helicopter Training	11/27/16 - 11/30/16	Fort Worth, TX	1,695
T. Pimental	Airline Visit	12/08/16 - 12/10/16	Dallas, TX	983
Various	Greater Providence Chamber of Commerce Legislative Luncheon	1/3/2017	Providence, RI	800
J. Diniz	Canine Training Center	01/22/17 - 01/27/17	San Antonio, TX	370
D. Rockwell	S.C. Fire Academy	01/29/17 - 01/30/17	Columbia, SC	492
J. Thomas	Aircraft Rescue & Fire Fighting (ARFF) Chief & Leadership School	02/13/17 - 02/17/17	Las Vegas, NV	1,166
B. Schatttle	Routes America Conference - Air Service Recruitment	02/13/17 - 02/17/17	Las Vegas, NV	1,808
I. Ahmad	Routes America Conference - Air Service Recruitment	02/13/17 - 02/17/17	Las Vegas, NV	2,097
T. Pimental	Routes America Conference - Air Service Recruitment	02/13/17 - 02/17/17	Las Vegas, NV	1,693
A. Andrade	Customs Border Protection Meeting	2/21/2017	Washington, DC	477
I. Ahmad	Customs Border Protection Meeting	2/21/2017	Washington, DC	476
J. Savage	Customs Border Protection Meeting	2/21/2017	Washington, DC	452
I. Ahmad	Customs Border Protection Meeting	4/20/2017	Washington, DC	437
J. Savage	Customs Border Protection Meeting	4/20/2017	Washington, DC	376
B. Schatttle	Routes Europe Conference - Air Service Recruitment	04/22/17 - 04/25/17	Belfast, Northern Ireland	1,631
I. Ahmad	Routes Europe Conference - Air Service Recruitment	04/22/17 - 04/25/17	Belfast, Northern Ireland	2,048
T. Pimental	Routes Europe Conference - Air Service Recruitment	04/22/17 - 04/25/17	Belfast, Northern Ireland	1,655
J. Wiggin	AAAE Snow Symposium	04/22/17 - 04/28/17	Buffalo, NY	1,430
P. Kopplin	AAAE Snow Symposium	04/22/17 - 04/28/17	Buffalo, NY	1,742
L. Messier	ALEAN Spring Conference	05/01/17 - 05/03/17	Tucson, AZ	1,450
I. Ahmad	AAAE 89th Annual Conference - Board Meeting Attendance	05/05/17 - 05/09/17	Long Beach, CA	1,350
Various	Greater Providence Chamber of Commerce Congressional Breakfast Table	5/8/2017	Providence, RI	600
I. Ahmad	Airline Visit	05/15/17 - 05/17/17	Oslo, Norway	3,292
J. Savage	Airline Visit	05/15/17 - 05/17/17	Oslo, Norway	1,563
Various	Airline Events	07/01/16 - 06/30/17	Warwick, RI	10,010
Various	Board Meeting Expenses	07/01/16 - 06/30/17	Warwick, RI	2,272
Various	Business Meeting Expenses	07/01/16 - 06/30/17	Warwick, RI	11,365
Various	Employee Meetings and Functions	07/01/16 - 06/30/17	Warwick, RI	11,375
Various	Recruitment Meeting Expenses	07/01/16 - 06/30/17	Warwick, RI	860
Various	Miscellaneous Amounts under \$200	07/01/16 - 06/30/17	Warwick, RI	768
				<u>\$ 91,909</u>

Rhode Island Airport Corporation

Schedule of Expenditures of Federal Awards * For the Year Ended June 30, 2017

Federal Grantor Pass-Through Grantor Program Title	Grant Contract No.	Catalog of Federal Domestic Assistance Number	Federal Expenditures
U.S. Department of Homeland Security:			
Direct Programs:			
TSA - Explosive Detection Canine Team	HSTS0208HCAN445	97.072	\$ 108,105
TSA - Law Enforcement Officer Reimbursement Program	HSTS0209HSLR348	97.090	121,120
Total Department of Homeland Security			229,225
U.S. Department of Defense - National Guard Bureau			
Direct Programs:			
Quonset - Allied Support: ILS Infrastructure	W912LD-15-2-2102	12.400	683,452
Quonset - Allied Support: ILS Infrastructure	W912LD-16-2-2103	12.400	71,247
Total Department of Defense			754,699
U.S. Department of Transportation:			
Direct Programs:			
Airport System - RI State System Plan Update	3-44-0000-003	20.106	59,293
Newport - Acquire Easements- Remove Obstructions	3-44-0002-020	20.106	29,042
Newport - Acquire Easements- Remove Obstructions	3-44-0002-021	20.106	31,463
T.F. Green - Final Environmental Impact Statement	3-44-0003-082	20.106	79,979
T.F. Green - Land Acquisition 2020 No-Build - Phase 5/2025 Build Phase 3	3-44-0003-098	20.106	1,656,440
T.F. Green - Hangar Demolition Project	3-44-0003-102	20.106	10,467
T.F. Green - Land/Home Acquisition (2025 Alt B4 Scenario)	3-44-0003-104	20.106	112,246
T.F. Green - Construction of Runway 16-34	3-44-0003-106	20.106	707,947
T.F. Green - Winslow Park/Extend Main Avenue	3-44-0003-108/113	20.106	40,430
T.F. Green - Residential Sound Insulation Phase 2	3-44-0003-111	20.106	218,553
T.F. Green - Construction of Runway 16-34 end and Safety Area	3-44-0003-112	20.106	902,065
T.F. Green - Easement Acquisitions	3-44-0003-115	20.106	241,772
T.F. Green - Residential Sound Insulation Phase 3	3-44-0003-116	20.106	1,901,705
T.F. Green - Extend Runway 5-23	3-44-0003-117	20.106	10,820,834
T.F. Green - Land Acquisition 2025 Build - Phase 4	3-44-0003-118	20.106	358,059
T.F. Green - Residential Sound Insulation Phase 4	3-44-0003-119	20.106	5,897,834
T.F. Green - Extend Runway 5-23	3-44-0003-120	20.106	6,413,918
T.F. Green - Land Acquisition 2025 Build - Phase 5	3-44-0003-121	20.106	1,558,507
T.F. Green - Residential Sound Insulation Phase 5	3-44-0003-122	20.106	720,697
T.F. Green - Land Acquisition in Runway Protection Zone (RPZ)	3-44-0003-123	20.106	5,596,884
North Central - Clear Runway Visibility Zone and Relocate Fuel Tanks	3-44-0004-026	20.106	15,251
Westerly - Installation of Obstruction Lighting	3-44-0005-021	20.106	37,725
Westerly - Vegetation Obstruction Removal	3-44-0005-023	20.106	2,581
Small Community Air Service Development Program	N/A	20.930	277,574
Total Department of Transportation			37,691,266
Total Expenditures of Federal Awards			\$ 38,675,190

The above programs were not required to be audited as major programs under the Uniform Guidance or as determined by the State of Rhode Island.

Rhode Island Airport Corporation

Schedule of Expenditures of Federal Awards (Continued) *
For the Year Ended June 30, 2017

* The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of RIAC under programs of the Federal Government for the year ended June 30, 2017. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of RIAC, it is not intended to and does not present the financial position, changes in net assets or cash flows of RIAC.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance.

RIAC has not used the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance in certain circumstances.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in
Accordance with *Government Auditing Standards***

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance
with *Government Auditing Standards***

Independent Auditor's Report

To the Board of Directors
Rhode Island Airport Corporation
Warwick, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise RIAC's basic financial statements, and have issued our report thereon dated October 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RIAC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIAC's internal control. Accordingly, we do not express an opinion on the effectiveness of RIAC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIAC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RIAC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

New Haven, Connecticut
October 26, 2017

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Appendix B – Summary of Certain Provisions of the Indenture

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

DEFINITIONS

The following terms as used in the Indenture, this Preliminary Official Statement, the 2018 First Lien Refunding Bonds and any certificate or document executed in connection therewith shall have the following meanings:

“Additional First Lien Obligations” First Lien Obligations, in addition to the 2018 First Lien Refunding Bonds, issued under the Indenture and secured by the Trust Estate.

“Airport” T.F. Green Airport in Warwick, Rhode Island

“Annual Debt Service” For any annual period with respect to all Outstanding Obligations or to all First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligations, (a) the amount of principal and interest paid or payable with respect to such Obligations in the annual period, plus (b) Reimbursement Obligations paid or payable by the Issuer in such annual period, minus (c) all amounts that are deposited to a debt service fund or the Construction Fund for the payment of interest on First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligations, as the case may be, from original proceeds from the sale of such Obligations or from any other lawfully available source (other than the Revenue Fund or any moneys that would constitute Facility Revenues in the subject annual period), and that are used or scheduled to be used to pay interest on such Obligations during any annual period.

“Average Annual Debt Service” With respect to First Lien Obligations, Second Lien Obligations or all Obligations, the average amount of Annual Debt Service paid or payable in each annual period to the Stated Maturity of the respective Outstanding Obligations.

“Bankruptcy-Related Event” Shall mean that the Issuer shall: (a) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like, (b) become unable to pay its debts generally as they become due, (c) be adjudicated as bankrupt or insolvent, or (d) commence a voluntary case under any bankruptcy law or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or admit the material allegations of a petition filed against it in any state or federal bankruptcy, reorganization or insolvency proceeding or take corporate action for the purpose of effecting any of the foregoing.

“Bond Insurance Policy” The bond insurance policy issued by the Bond Insurer with respect to the Series 2006 Bonds.

“Bond Insurer” Assured Guaranty Corp.

“Business Day” Any day other than a Saturday or a Sunday or a day on which banking institutions are required or authorized by law or executive order to remain closed in Rhode Island or the City of New York or in the city in which the designated office of the Trustee or a securities depository is located; *provided, however*, that such term may have a different meaning for purposes of a Credit Facility.

“CFC Fund” The fund created by Section 502(n) of the Indenture.

“Code” The Internal Revenue Code of 1986, as amended, and the regulations proposed or adopted from time to time with respect thereto.

“Completion Date” Shall mean the Date of Operational Opening of the Intermodal Facility, as defined in the Concession Agreement.

“Concession Agreement” Individually and collectively, those certain Amended and Restated Rental Car Concession Agreements between RIAC and companies operating rental car businesses at the Intermodal Facility, as amended from time to time.

“Coverage Account” An account of that name created pursuant to Section 502 or any Supplemental Indenture.

“Credit Facility” Any letter of credit, line of credit, standby letter of credit, indemnity or surety insurance policy or agreement to purchase a debt obligation or any similar extension of credit, credit enhancement or liquidity support obtained by the Issuer or RIAC from a responsible financial or insurance institution, to provide for or to secure payment of principal and purchase price of, and/or interest on Obligations.

“Defeasance Securities” Shall mean: (a) Government Obligations, (b) non-callable obligations of an agency or instrumentality of the U.S., and (c) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been rated and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

“Emergency Renewal and Replacement Reserve Fund Requirement” An amount equal to two million dollars (\$2,000,000).

“Enabling Acts” As to the Issuer, Rhode Island General Laws §42-64-1 et seq., and as to RIAC, §42-64-7.1.

“Event of Default” The events specified in “Events of Default” below.

“Facility Revenues” All revenues collected by or on behalf of RIAC that are generated by the operation of the Intermodal Facility, including: (i) customer facility charges, (ii) fees payable by rental car companies operating at the Intermodal Facility (other than privilege and deficiency fees relating thereto), (iii) commuter parking revenues, (iv) payments under concession and/or lease agreements with parties other than rental car companies relating to the Intermodal Facility, (v) any payments for access to and/or use of the skywalk system included in the Intermodal Facility by third parties (but excluding privilege and deficiency fees payable by such parties), and (vi) Utility Facility Charges.

“First Lien Debt Service Fund” The fund created by Section 502(c) of the Indenture to secure payment of First Lien Obligations.

“First Lien Debt Service Reserve Fund” The fund created by Section 502(d) of the Indenture.

“First Lien Debt Service Reserve Requirement” The least of: (i) the maximum Annual Debt Service of all the First Lien Obligations, (ii) 1.25 times the Average Annual Debt Service of all First Lien Obligations or (iii) ten (10) percent of the aggregate principal amount of the Outstanding First Lien Obligations, as determined on the date each Series of First Lien Obligations is issued and delivered.

“First Lien DSRF Security” A surety bond, an insurance policy, a letter of credit or similar financial instrument issued by an institution whose long-term debt is rated in one of the three highest rating categories assigned by any Rating Agency.

“First Lien Obligations” The Series 2006 Bonds, the 2018 First Lien Refunding Bonds and all Indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations, issued or incurred as Additional First Lien Obligations and including all obligations of the Issuer owed to Secured Owners of Reimbursement Obligations relating thereto.

“First Supplemental Indenture” The First Supplemental Indenture of Trust relating to the issuance of the Series 2006 Bonds and the 2006 TIFIA Bond.

“Fiscal Year” The fiscal year of the Issuer and RIAC, currently the period commencing on the first day of July and ending on the last day of June of the following year.

“Government Obligations” Direct and general obligations of the U.S. or obligations the timely payment of principal and interest on which are unconditionally guaranteed by the U.S., and evidences of ownership of proportionate interests in future interest or principal payments on such obligations.

“Indebtedness” All indebtedness of the Issuer incurred or assumed by the Issuer for borrowed money (including indebtedness arising under Credit Facilities) and all other financing obligations of the Issuer related to the Intermodal Facility.

“Indenture” The Indenture of Trust dated as of June 1, 2006 among the Issuer, RIAC and the Trustee.

“Interest Payment Date” With respect to each Series of Obligations, the dates that are defined as such in the Indenture, a Supplemental Indenture or resolution of the Issuer under which First Lien Obligations are issued.

“Intermodal Facility” The intermodal transportation facility designed and constructed by RIAC at or adjacent to the Airport for train, bus, commuter, and rental car access to and egress from the Airport. The Intermodal Facility is also known as the InterLink Facility.

“Intermodal General Purpose Fund” The fund created by Section 502(m) of the Indenture.

“Issuer” Shall mean the Rhode Island Commerce Corporation, formerly known as the Rhode Island Economic Development Corporation, a public corporation, governmental agency and public instrumentality of the State of Rhode Island and Providence Plantations.

“Maturity” Shall mean the date on which the principal of an Obligation becomes due and payable as provided therein or in the Indenture, whether at Stated Maturity, by redemption, or otherwise.

“Net Facility Revenues” Facility Revenues for the period in question, less operating and maintenance costs for the Intermodal Facility for such period.

“Obligations” Indebtedness issued or incurred as First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligations.

“Operating and Maintenance Reserve Requirement” Shall mean an amount to be deposited to the Operating and Maintenance Reserve Fund on or before the Completion Date equal to one-half of the amount set forth in the annual budget of the Intermodal Facility as Operating and Maintenance Costs for the then-current Fiscal Year. From and after the Completion Date, such term shall mean an amount required to be deposited to the Operating and Maintenance Reserve Fund on or before the end of each Fiscal Year equal to one-half of the amount set forth as Operating and Maintenance Costs of the Intermodal Facility in the annual budget of the Intermodal Facility for the next succeeding Fiscal Year.

“Outstanding” or “outstanding” With respect to Obligations, shall mean all Obligations that have been authenticated and delivered under the Indenture, except Obligations theretofore canceled or delivered to the Trustee; defeased Obligations, and Obligations that have been mutilated, lost or destroyed.

“Permitted Investments” Shall mean and include any of the following, to the extent that the same are at the time legal for the investment of the Issuer’s or RIAC’s funds, except as may otherwise be provided in a Supplemental Indenture:

- a) Government Obligations;
- b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: (i) Federal Home Loan Bank System, (ii) Export-Import Bank of the U.S., (iii) Farmers Home Administration, (iv) Federal Financing Bank, (v) Federal Housing Administration, (vi) Federal Home Loan Mortgage Company, (vii) Government National Mortgage Association, (viii) Private Export Funding Corp., (ix) Federal Farm Credit Bank, (x) Resolution Trust Corporation or (xi) any indebtedness issued or guaranteed by any instrumentality or agency of the U.S.;
- c) Pre-refunded municipal obligations rated in the highest rating category by at least two Rating Agencies that meet the following conditions:
 - i) such obligations are: (A) not to be redeemed prior to maturity or the trustee for such municipal obligations has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - ii) such obligations are secured by Government Obligations that may be applied only to principal, premium payments and interest of such obligations;
 - iii) the principal of and interest on such Government Obligations (plus any cash in an escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities evidenced by such obligations;

- iv) the Government Obligations serving as security for the obligations are held by an escrow agent or trustee; and
 - v) such Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.
- d) Direct and general short or long-term obligations of any state of the U.S. or the District of Columbia to the payment of which the full faith and credit of such state is pledged and which are rated in either of the two highest rating categories by at least two Rating Agencies;
 - e) Interest-bearing demand or time deposits with, or interests in money market portfolios rated AAA-m by S&P issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation;
 - f) Eurodollar time deposits issued by a bank with a deposit rating in one of the top two short-term deposit rating categories of at least two Rating Agencies;
 - g) Long-term or medium-term corporate debt guaranteed by any corporation whose obligations of such tenor are rated in one of the two highest rating categories by at least two Rating Agencies;
 - h) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A1” or better by S&P;
 - i) Repurchase agreements: (i) the maturities of which are 30 days or less or (ii) the maturities of which are longer than 30 days provided the same are secured by collateral described in subparagraph (a) or (b) above which is marked to market weekly, entered into with financial institutions such as banks or trust companies organized under state law or national banking associations, insurance companies or government bond dealers reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York or with a dealer or parent holding company that is rated investment grade by at least two Rating Agencies.
 - j) Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category by at least two Rating Agencies;
 - k) Public housing bonds issued by public agencies;
 - l) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund rated in the highest rating category by at least two Rating Agencies;
 - m) Money market accounts of any state or federal bank, or bank whose holding company’s short or long-term debt is rated in the top two categories by at least two Rating Agencies;
 - n) Investment agreements, the issuer of which is rated in one of the two highest rating categories by at least two Rating Agencies; and

- o) Any debt or fixed income security, the issuer of which is rated in the highest rating category by at least two Rating Agencies.

“Person” An individual, public body, corporation, partnership, association, joint stock company, trust and any unincorporated organization.

“Project Costs” The costs of all necessary studies, surveys, plans, and specifications, architectural, engineering, or other special services, acquisition of land and any buildings thereon, site preparation and development, construction, reconstruction, rehabilitation and improvement in order to construct the Intermodal Facility, and the acquisition of such machinery and equipment or other personal property as may be deemed necessary in connection therewith (other than new materials, work in progress, or stock in trade); the necessary expenses incurred in connection with the initial occupancy of the Intermodal Facility; an allocable portion of the administrative and operating expenses of the Issuer or RIAC; and all financing and issuance costs of the Intermodal Facility, including without limitation, legal, accounting, feasibility and financial advisory, underwriting and consultant fees and expenses.

“Rating Agency” Fitch Ratings, Inc. (“Fitch”), Moody’s Investors Service, Inc. (“Moody’s”), or Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business (“S&P”), or such other nationally-recognized securities rating agency as may be designated in writing to the Trustee by the Issuer.

“Reimbursement Obligation” The obligation of the Issuer to repay any amounts drawn under a Credit Facility and to pay interest on such drawn amounts.

“RIAC” Shall mean the RHODE ISLAND AIRPORT CORPORATION, a public corporation organized as a subsidiary public corporation of the Issuer pursuant to Rhode Island General Laws §42-64-7.1.

“Second Lien Debt Service Fund” The fund created by Section 502(e) of the Indenture.

“Second Lien Debt Service Reserve Fund Requirement” An amount equal to the average annual debt service on the 2006 TIFIA Bond calculated as of the date of the issuance thereof.

“Second Lien DSRF Security” A surety bond, an insurance policy, a letter of credit or similar financial instrument satisfactory to USDOT, acting by and through the Federal Highway Administrator, payable to the Trustee for the benefit of the Secured Owners of Second Lien Obligations.

“Second Lien Obligations” The 2006 TIFIA Bond and all Indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued or incurred as Additional Second Lien Obligations under Section 210 of the Indenture.

“Second Supplemental Indenture” The Second Supplemental Indenture of Trust relating to the issuance of the 2018 First Lien Refunding Bonds authorized to be issued as First Lien Obligations by the Indenture.

“Secured Owner” Each Person who is a registered owner of any Obligation, and each Bank and Bond Insurer providing a Credit Facility or bond insurance policy that is secured by a security

interest in the Trust Estate on a parity with the Series of Obligations with respect to which it is provided.

“Series 2006 Bonds” The Rhode Island Economic Development Corporation First Lien Special Facility Revenue Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2006 authorized to be issued as First Lien Obligations by the First Supplemental Indenture.

“Stated Maturity” When used with respect to any Obligation, the scheduled maturity or mandatory sinking fund redemption of such Obligation.

“Subordinate Lien Obligations” All Indebtedness of any kind or class, including bonds, notes, bond anticipation notes, commercial paper and other obligations issued or incurred as Additional Subordinate Lien Obligations under the Indenture, including all obligations of the Issuer owed to Secured Owners of Subordinate Lien Obligations and Reimbursement Obligations secured by the Trust Estate on a parity with Subordinate Lien Obligations.

“Supplemental Indenture” Any supplemental indenture to the Indenture, now or hereafter duly authorized and entered into in accordance with the provisions of Article X of the Indenture.

“TIFIA Loan Agreement” The Secured Loan Agreement dated as of June 1, 2006, as supplemented and amended from time to time, between the Issuer and the USDOT, relating to the 2006 TIFIA Loan, as approved by RIAC and the Rhode Island Department of Transportation.

“Trust Estate” Shall mean: (i) all Facility Revenues and, to the extent set forth in a Supplemental Indenture, any security for Additional Obligations; (ii) all moneys (including Investment Earnings thereon) deposited into the CFC Fund or accounts or funds to be held by or on behalf of the Trustee created under the Indenture or a Supplemental Indenture relating to each of such funds and accounts (but excluding moneys on deposit in the Rebate Fund, the Operating and Maintenance Fund, the Operating and Maintenance Reserve Fund, the Emergency Renewal and Replacement Reserve Fund, the Renewal and Replacement Fund, and the Intermodal General Purpose Fund created under the Indenture, and any fund established with the Trustee pursuant to the provisions of a Supplemental Indenture that are restricted to another use); (iii) all of the Issuer’s right to payments due from RIAC arising out of the Issuer’s loan of the proceeds of the 2018 First Lien Refunding Bonds to RIAC (other than rights of indemnification and costs and expenses, if any, incurred by the Issuer or RIAC in connection with any permit or license required in connection with such loan); and (iv) any insurance proceeds and other moneys required to be deposited in such accounts and funds by the Indenture or the provisions of a Supplemental Indenture.

“Trustee” Shall mean The Bank of New York Mellon Trust Company, N.A., and its successors and assigns.

“2006 TIFIA Loan” The loan from the USDOT to the Issuer made pursuant to the TIFIA Loan Agreement and evidenced by the 2006 TIFIA Bond, to finance a portion of the Project Costs of the Intermodal Facility and authorized by the First Supplemental Indenture.

“2006 TIFIA Bond” The bonds entitled “Rhode Island Economic Development Corporation Intermodal Facility Second Lien Revenue Bond, Series 2006, TIFIA Bond No. 2006-1001, TIFIA BOND” issued as a Second Lien Obligation to evidence the 2006 TIFIA Loan pursuant to the First Supplemental Indenture.

“2018 First Lien Refunding Bonds” means the [\$] Rhode Island Commerce Corporation First Lien Special Facility Revenue Refunding Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2018 and authorized pursuant to the Second Supplemental Indenture.

“USDOT” The U.S. Department of Transportation, acting by and through the Build America Bureau.

“Utility Facility Charges” means the utility facility charges payable by rental car companies operating at the Intermodal Facility.

APPLICATION OF PROCEEDS OF THE 2018 FIRST LIEN REFUNDING BONDS

Construction Fund. A Construction Fund is established by the Issuer with the Trustee. Within the Construction Fund there are two separate accounts, the 2018 Project Account (COI) and the 2018 Redemption Account.

Additional Bonds. In connection with the issuance of any Additional First Lien Obligations, Additional Second Lien Obligations, Subordinate Lien Obligations or Additional Subordinate Lien Obligations, the Supplemental Indenture relating thereto will specify the terms and conditions for the application of the proceeds thereof deposited into the Construction Fund, in lieu of the foregoing subsections of this section describing “Application of Proceeds of the 2018 First Lien Refunding Bonds.”

Sufficiency of Construction Fund. The Issuer makes no warranty, express or implied, that moneys paid into the Construction Fund or otherwise available to complete the Intermodal Facility will be sufficient to pay all of the costs thereof.

SOURCES OF PAYMENT OF BONDS

All Facility Revenues are deposited in a Revenue Fund upon receipt by the Issuer or RIAC. After funds sufficient to pay operating and maintenance costs of the Intermodal Facility from Facility Revenues are deposited in the Operating and Maintenance Fund, Net Facility Revenues are transferred to the First Lien Debt Service Fund and the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund and Second Lien Debt Service Reserve Fund, any comparable funds relating to Subordinate Lien Obligations, and a Rebate Fund. Once transferred to such funds, monies therein are held by the Trustee until applied as described below.

First Lien Debt Service Fund. Within the First Lien Debt Service Fund there are two separate accounts, the “First Lien Interest Account” and the “First Lien Principal Account”.

Monthly by the fifth Business Day after the end of the immediately preceding month, after first having made a deposit to the Operating and Maintenance Fund described above, RIAC will withdraw from the Revenue Fund and deposit in the First Lien Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Credit Facility entered into with respect to First Lien Obligations) the following amounts:

- (a) to the First Lien Interest Account, an amount which shall equal one-sixth (1/6th) of the next interest payment due after such date with respect to First Lien Obligations; *provided, however,* that: (i) the Issuer shall be credited with any amount already on deposit in the First

Lien Interest Account or the Construction Fund to the extent of any available capitalized interest therein, and (ii) the Issuer shall be credited with interest earned on amounts on deposit in the First Lien Interest Account; and

- (b) to the First Lien Principal Account an amount which shall equal one-twelfth (1/12th) of the next principal payment due with respect to the First Lien Obligations after such date; provided, however, that the Issuer shall be credited with interest earned on amounts on deposit in the First Lien Principal Account

The moneys in the First Lien Interest Account and First Lien Principal Account will be held by the Trustee in trust for the benefit of the Secured Owners of First Lien Obligations, and pending application are subject to a lien and charge in favor of the Secured Owners until paid out or transferred as hereinafter provided.

There shall be withdrawn from the First Lien Interest Account (and from the Construction Fund to the extent of any available capitalized interest therein) and the First Lien Principal Account from time to time and deposited with the Trustee sufficient money for paying the interest on, principal of and premium on the First Lien Obligations as the same become due, except to the extent such interest, principal or other amounts are payable from a fund or account other than the First Lien Debt Service Fund as provided in any Supplemental Indenture.

If at the time the Trustee is required to make a withdrawal from the First Lien Debt Service Fund the moneys therein are not sufficient for such purpose, the Trustee shall obtain the amount of such deficiency from monies on deposit in the following funds in the following order: (i) first, the Trustee shall cause to be withdrawn monies on deposit in the Revenue Fund, (ii) second, the Trustee may cause to be withdrawn monies on deposit in the Operating and Maintenance Reserve Fund, (iii) third, the Trustee shall withdraw monies on deposit in any Subordinate Lien Debt Service Fund, (iv) fourth, the Trustee shall withdraw monies on deposit in the Second Lien Debt Service Fund, and (v) fifth, the Trustee shall withdraw monies on deposit in the First Lien Debt Service Reserve Fund.

First Lien Debt Service Reserve Fund. The First Lien Debt Service Reserve Fund will be funded in an amount of the First Lien Debt Service Reserve Requirement.

Monthly by the fifth Business Day after the end of the immediately preceding month, after first having made required deposits to the Operating and Maintenance Fund and the First Lien Debt Service Fund, RIAC shall withdraw from the Revenue Fund and deposit in the First Lien Debt Service Reserve Fund an amount equal to one-twelfth (1/12th) of the amount, if any, required to make the amount on deposit in the First Lien Debt Service Reserve Fund equal to the First Lien Debt Service Reserve Requirement, and (ii) the amount required to be deposited in the First Lien Debt Service Reserve Fund by any Supplemental Indenture, if different from the First Lien Debt Service Reserve Requirement.

Moneys, investments and First Lien DSRF Security held in the First Lien Debt Service Reserve Fund shall be held and used for the benefit of all First Lien Obligations other than the 2006 TIFIA Bond in the event it is deemed a First Lien Obligation upon the occurrence of a Bankruptcy-Related Event, as described below in *2006 TIFIA Loan Default Remedy*. Moneys held in the First Lien Debt Service Reserve Fund shall be used for the purpose of paying interest on, maturing principal and mandatory sinking fund redemption price of First Lien Obligations whenever and to the extent that moneys held in the First Lien Debt Service Fund, after making all

required transfers from other Funds, are insufficient for such purpose. If upon any valuation the moneys, investments and First Lien DSRF Security held in the First Lien Debt Service Reserve Fund exceed the First Lien Debt Service Reserve Requirement, then subject to the receipt of an opinion of bond counsel to the effect that such transfer will not adversely affect the treatment of interest on any Outstanding Obligations for federal income tax purposes, the Issuer may direct that such excess moneys shall be transferred to the credit of the First Lien Debt Service Fund, used to reduce the principal amount of any First Lien DSRF Security or, to the extent that such excess was derived from Facility Revenues, transferred to the Revenue Fund.

In lieu of the deposit of moneys into the First Lien Debt Service Reserve Fund, the Issuer may provide a First Lien DSRF Security payable to the Trustee for the benefit of the Secured Owners in an amount equal to the difference between the First Lien Debt Service Reserve Requirement and amounts then on deposit in the First Lien Debt Service Reserve Fund. The First Lien DSRF Security shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date, principal payment date or redemption date on which moneys will be required to be withdrawn from the First Lien Debt Service Reserve Fund and applied to the payment of the principal of or interest on any First Lien Obligations to the extent that such withdrawals cannot be made by amounts on deposit in the First Lien Debt Service Reserve Fund.

If a disbursement is made pursuant to a First Lien DSRF Security, the Issuer shall be obligated either: (a) to cause the reinstatement to the maximum limits of such First Lien DSRF Security, or (b) to deposit into the First Lien Debt Service Reserve Fund funds in the amount of the disbursement made under such First Lien DSRF Security, or a combination of such alternatives, as shall provide that the amount credited to the First Lien Debt Service Reserve Fund equals the First Lien Debt Service Reserve Requirement within twelve months.

If the rating on the long-term debt of the issuer of any First Lien DSRF Security ceases to be rated in one of the three highest rating categories by any Rating Agency, the Issuer shall use reasonable efforts to replace such First Lien DSRF Security with one that is so rated, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Facility Revenues in the First Lien Debt Service Reserve Fund in lieu of replacing such First Lien DSRF Security with another.

Investments in the First Lien Debt Service Reserve Fund shall be valued at the lesser of market value or amortized cost on the first Business Day of June and December. Immediately after such valuation, any excess attributable to interest earnings and not needed to restore the First Lien Debt Service Reserve Fund to the First Lien Debt Service Reserve Requirement shall be transferred to the Revenue Fund. Any excess attributable to an increase in market value may be transferred to the Revenue Fund.

Rebate Fund. A Rebate Fund is established with the Trustee under the Indenture for the purpose of compliance with section 148(f) of the Code regarding tax-exempt securities. The provisions of the Indenture relating to the Rebate Fund will survive the defeasance of the First Lien Obligations.

Investment of Moneys in Funds. Moneys held in any of the funds or accounts established under the Indenture may be retained uninvested, if deemed necessary by the Issuer or RIAC, as

trust funds and secured as required by law, or may be invested in Permitted Investments upon the request of a RIAC Representative to the Trustee specifying the account or fund from which moneys are to be invested and designating the specific Permitted Investments to be acquired. Such investment instructions may take the form of standing investment directions.

All investments shall be subject to withdrawal or shall mature or be subject to repurchase or redemption by RIAC, not later than the date on which moneys so invested are reasonably expected to be needed for purposes of the Indenture.

Investments acquired with the moneys in any fund or account shall be a part of such fund or account and, for the purposes of determining the amount in such fund or account, shall be valued at their then fair market value. The interest or income received on an investment shall remain in the fund or account to which the investment is credited.

The Trustee shall withdraw, redeem or sell all or a portion of any investment upon receipt of the written direction from RIAC or upon a determination by the Trustee that moneys in such fund or account are to be paid by the Trustee pursuant to the Indenture, and the proceeds thereof shall be deposited by the Trustee in the appropriate fund or account. The Trustee shall not be liable or responsible for any depreciation in the value of the Permitted Investments.

Except as provided above with respect to the First Lien Debt Service Reserve Fund or as provided in a Supplemental Indenture, in computing the amount in any fund or account held under the Indenture, Permitted Investments shall be valued by the Trustee on the first Business day of June and December at the current market value thereof or at the redemption price thereof, if then redeemable, at the option of the holder, in either event inclusive of accrued interest.

The purchase or sale of any investment may be made through the bond or investment department of the Trustee or the bond or investment department of any affiliated or related entity.

FLOW OF FUNDS

Monies in the Revenue Fund and deposits to the below-listed funds shall be made in the order of priority in which the funds are listed at the times provided in Section 503(a); provided, however, that: (a) amounts in any Coverage Account may be withdrawn solely to pay Operating and Maintenance Costs and Annual Debt Service and (b) all CFCs shall be deposited in the CFC Fund until the earlier of the Completion Date, or the date on which all capitalized interest for the Series 2006 Bonds has been expended.

- (1) Operating and Maintenance Fund;
- (2) First Lien Debt Service Fund;
- (3) First Lien Debt Service Reserve Fund;
- (4) Second Lien Debt Service Fund;

- (5) Second Lien Debt Service Reserve Fund;
- (6) Subordinate Lien Debt Service Fund;
- (7) Subordinate Lien Debt Service Reserve Fund, if any;
- (8) Rebate Fund;
- (9) Operating and Maintenance Reserve Fund;
- (10) Emergency Renewal and Replacement Reserve Fund;
- (11) Renewal and Replacement Fund; and
- (12) Intermodal General Purpose Fund.

Monies may be transferred from the Revenue Fund in a manner inconsistent with the foregoing priorities to pay interest or principal on a Second Lien Obligation or a Subordinate Lien Obligation that becomes due and payable prior to the time interest or principal on a more senior Obligation is due. In order for such a transfer to be made, an Issuer Representative or a RIAC Representative must deliver a certificate to the Trustee to the effect that any such transfer is not anticipated to result in the inability of the Issuer or RIAC to make a later transfer in the same Fiscal Year to a fund securing more senior Obligations.

For descriptions of the First Lien Debt Service Fund, the First Lien Debt Service Reserve fund and the Rebate Fund, see *Sources of Payment of Bonds* above. The remaining funds into which monies are transferred from the Revenue Fund are as follows:

Operating and Maintenance Fund. Funds in the Operating and Maintenance Fund shall be used to pay Operating and Maintenance Costs, and will not be pledged to the payment of the Obligations.

Second Lien Debt Service Fund. Within the Second Lien Debt Service Fund there are two separate accounts, the “Second Lien Interest Account” and the “Second Lien Principal Account”.

At the times provided in Section 503(a) of the Indenture, after first having made or provided for the deposits required by Sections 504 through 506 thereof, RIAC shall withdraw from the Revenue Fund and deposit in the Second Lien Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Credit Facility entered into in connection with a Series of Second Lien Obligations) the following amounts:

- (a) to the Second Lien Interest Account, an amount which shall equal one-sixth (1/6th) of the next interest payment due after such date with respect to Second Lien Obligations; *provided, however*, that: (i) the Issuer shall be credited with any amount already on deposit in the Second Lien Interest Account or the Construction Fund to the extent of any available

capitalized interest therein, and (ii) the Issuer shall be credited with interest earned on amounts on deposit in the Second Lien Interest Account; and

- (b) to the Second Lien Principal Account an amount which shall equal one-twelfth (1/12th) of the next principal payment due with respect to the Second Lien Obligations after such date; provided, however, that the Issuer shall be credited with interest earned on amounts on deposit in the Second Lien Principal Account.

Moneys and investments held in the Second Lien Principal Account and the Second Lien Interest Account shall be held by the Trustee in trust for the benefit of the First Lien Obligations as provided in Section 505 of the Indenture, and for the benefit of the Second Lien Obligations to the extent the same are payable from such accounts; to such extent and pending application thereof, such moneys shall be subject to a lien and charge in favor of the Secured Owners of the Second Lien Obligations until paid out or transferred. There shall be withdrawn from the Second Lien Interest Account (and transferred from the Construction Fund to the Second Lien Interest Account to the extent of any available capitalized interest therein) and the Second Lien Principal Account from time to time and set aside or deposited with the Trustee, sufficient money to pay the interest on and the principal of the Second Lien Obligations as the same shall become due, except to the extent such interest, principal or other amounts are payable from a fund or account other than the Second Lien Debt Service Fund as provided in any Supplemental Indenture.

If at the time the Trustee is required to make a withdrawal from the Second Lien Debt Service Fund the moneys therein are not sufficient for such purpose, the Trustee shall obtain the amount of such deficiency from monies on deposit in the following funds in the following order: (i) first, the Trustee shall cause to be withdrawn monies on deposit in the Revenue Fund, (ii) second, the Trustee may cause to be withdrawn monies on deposit in the Operating and Maintenance Reserve Fund, (iii) third, the Trustee shall withdraw monies on deposit in the Subordinate Lien Debt Service Fund, if any, and (iv) fourth, the Trustee shall withdraw monies on deposit in the Second Lien Debt Service Reserve Fund.

Second Lien Debt Service Reserve Fund. The Second Lien Debt Service Reserve Fund shall initially be funded on or before the Completion Date from CFCs collected prior to the Completion Date in an amount equal to the Second Lien Debt Service Reserve Requirement. If funds on deposit in the Second Lien Debt Service Reserve Fund as of the end of any Fiscal Year are less than the Second Lien Debt Service Reserve Requirement, then at the times provided in Section 503(a) of the Indenture, after first having made the deposits provided by Sections 504 through 507 thereof, RIAC shall withdraw from the Revenue Fund and deposit in the Second Lien Debt Service Reserve Fund an amount equal to one-twelfth (1/12th) of the amount, if any, required to make the amount on deposit in the Second Lien Debt Service Reserve Fund equal to the Second Lien Debt Service Reserve Requirement provided for in the First Supplemental Indenture or in a subsequent Supplemental Indenture establishing a Second Lien Debt Service Reserve Requirement for Additional Second Lien Obligations.

In lieu of the deposit of moneys into the Second Lien Debt Service Reserve Fund, the Issuer may cause to be provided a Second Lien DSRF Security in an amount equal to the difference between the Second Lien Debt Service Reserve Requirement and the amounts then on

deposit in the Second Lien Debt Service Reserve Fund. The Second Lien DSRF Security shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date, principal payment date or redemption date on which moneys will be required to be withdrawn from the Second Lien Debt Service Reserve Fund and applied to the payment of the principal of or interest on any Second Lien Obligations to the extent that such withdrawals cannot be made by amounts on deposit in the Second Lien Debt Service Reserve Fund.

Subordinate Lien Debt Service Fund. Within any Subordinate Lien Debt Service Fund there shall be two accounts known as the “Subordinate Lien Interest Account” and the “Subordinate Lien Principal Account”.

At the times provided in Section 503(a) of the Indenture, after first having made the deposits provided by Sections 504 through 508 thereof, the Trustee shall transfer from the Revenue Fund and deposit to the applicable account in the Subordinate Lien Debt Service Fund (or to a fund or account created to pay or repay amounts owed under a Credit Facility entered into in connection with a Series of Subordinate Lien Obligations in lieu of either of the foregoing) the amounts due on any Subordinate Lien Obligation.

The moneys in the Subordinate Lien Principal Account and the Subordinate Lien Interest Account shall be held by the Trustee in trust for the benefit of the First Lien Obligations and the Second Lien Obligations as provided in Sections 505 and 507 of the Indenture, and the Subordinate Lien Obligations, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, shall be subject to a lien and charge in favor of the owners of the Subordinate Lien Obligations until paid out or transferred as hereinafter provided. There shall be withdrawn from the Subordinate Lien Interest Account (and from the Construction Fund to the extent of any available capitalized interest) and the Subordinate Lien Principal Account from time to time and set aside or deposited with the Trustee sufficient money for paying the interest on and the principal of the Subordinate Lien Obligations as the same shall become due, except to the extent such interest, principal or other amounts are payable from a fund or account other than the Subordinate Lien Debt Service Fund as provided in any Supplemental Indenture.

If at the time the Trustee is required to make a withdrawal from the Subordinate Lien Debt Service Fund the moneys therein shall not be sufficient for such purpose, subject to the requirements of Sections 505 through 508 of the Indenture, the Trustee shall withdraw the amount of such deficiency from the moneys on deposit in the following funds or accounts and transfer the same to the Subordinate Lien Debt Service Fund in the following order: (i) the Revenue Fund and (ii) the respective Subordinate Lien Debt Service Reserve Funds, if any, established for a special series of Subordinate Lien Obligations.

Subordinate Lien Debt Service Reserve Fund. One or more Subordinate Lien Debt Service Reserve Funds may be created with respect to each Series of Subordinate Lien Obligations issued pursuant to any Supplemental Indenture. In the event that one or more Subordinate Lien Debt Service Reserve Funds are created, subject to making or providing for the deposits required by Sections 504 through 509 of the Indenture, the Trustee shall transfer from the Revenue Fund to the Subordinate Lien Debt Service Reserve Fund the amounts

required by the Supplemental Indenture authorizing the issuance of Subordinate Lien Obligations.

Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund shall initially be funded on or before the Completion Date from CFCs collected prior to the Completion Date in an amount equal to the Operating and Maintenance Reserve Requirement. If funds on deposit in the Operating and Maintenance Reserve Fund as of the end of any Fiscal Year are less than the Operating and Maintenance Reserve Requirement, then at times provided therein, after first having made the deposits provided by Sections 504 through 511 thereof, RIAC shall withdraw from the Revenue Fund and deposit in the Operating and Maintenance Reserve Fund an amount equal to one-twelfth (1/12th) of the amount necessary to fund any such deficiency in the Operating and Maintenance Reserve Fund. Funds in the Operating and Maintenance Reserve Fund shall be used to pay Operating and Maintenance Costs when funds on deposit in the Operating and Maintenance Fund are insufficient therefor, and may be used to fund deficiencies in the First and Second Lien Debt Service Fund, and will not be pledged to the payment of the Obligations.

Emergency Renewal and Replacement Reserve Fund. The Emergency Renewal and Replacement Reserve Fund shall initially be funded on the Completion Date from CFCs received prior to the Completion Date in an amount equal to the Emergency Renewal and Replacement Reserve Fund Requirement. If the funds on deposit in the Emergency Renewal and Replacement Reserve Fund are less than the Emergency Renewal and Replacement Reserve Fund Requirement then, at the times provided in Section 503(a) of the Indenture, after making the deposits required by Sections 504 through 512 thereof, there shall be transferred from the Revenue Fund an amount necessary to fund any such deficiency in twelve equal monthly installments. Funds in the Emergency Renewal and Replacement Reserve Fund shall be used by RIAC to pay costs incurred for the repair and replacement of capital assets or other expenses that are unscheduled or unplanned or which become necessary as a result of an emergency, or costs that are planned or required but for which no other funds are available, and will not be pledged to the payment of the Obligations.

Renewal and Replacement Fund. The Issuer and RIAC shall establish a fund known as the “Renewal and Replacement Fund.” Funds in the Renewal and Replacement Fund shall be used by RIAC to pay costs of renewals, replacements, enhancements or additions to the Intermodal Facility or for any other lawful purpose, and will not be pledged to the payment of the Obligations.

Funds on deposit in the Renewal and Replacement Fund shall at no time exceed \$10,000,000, with any funds in excess of such amount to be deposited in the Intermodal General Purpose Fund. Funds in the Renewal and Replacement Fund may be used by RIAC as aforesaid prior to the accumulation of the maximum amount permitted to be held in such fund.

Intermodal General Purpose Fund. After first having made the deposits provided by Sections 504 through 514 of the Indenture, RIAC shall transfer any amounts remaining in the Revenue Fund to the credit of the Intermodal General Purpose Fund.

Moneys in the Intermodal General Purpose Fund may be used by RIAC for any purpose related to the Intermodal Facility and to restore deficiencies in any funds or accounts created under the Indenture and will not be pledged to the payment of the Obligations.

CFC Fund. Moneys on deposit in the CFC Fund prior to the Completion Date shall be used to pay RIAC's share of Project Costs, to fund the Second Lien Debt Service Reserve Fund, the Operating and Maintenance Reserve Fund and the Emergency Renewal and Replacement Reserve Fund, and to pay issuance costs incurred in connection with the 2006 TIFIA Bond. Monies remaining in the CFC Fund after satisfaction of the foregoing requirements shall be transferred to the Renewal and Replacement Fund on or before the Completion Date.

SECURITY FOR THE 2018 FIRST LIEN REFUNDING BONDS

The 2018 First Lien Refunding Bonds are secured by a first priority security interest in the Trust Estate. The 2006 TIFIA Bond and other Second Lien Obligations are secured by a second priority security interest in the Trust Estate; *provided, however*, that so long as the 2006 TIFIA Bond is held by the USDOT the 2006 TIFIA Bond shall be deemed to be a First Lien Obligation upon the occurrence of a Bankruptcy-Related Event as described below in *2006 TIFIA Loan Default Remedy*.

Subordinate Lien Obligations are secured by a third priority security interest in the Trust Estate.

ADDITIONAL FIRST LIEN OBLIGATIONS

The issuance of Additional First Lien Obligations is subject to certain conditions and financial tests, as follows:

Generally. The Issuer may not issue any Additional First Lien Obligations unless prior to or contemporaneously with the incurrence thereof, the Issuer delivers to the Trustee certain resolutions, certificates, opinions and other documents specified in Section 202(c) of the Indenture, and there is delivered to the Trustee either:

- (a) report of an airport consultant to the effect that projected Net Facility Revenues (plus investment earnings thereon and amounts projected to be on deposit in a Coverage Account on the first day of a Fiscal Year) for the three Fiscal Years following either the date of the issuance of such Additional First Lien Obligations, or the date of final expenditure of any capitalized interest funded with the proceeds of such Additional First Lien Obligations, whichever is later, is expected, as of the end of each such Fiscal Year, to be at least equal to the greater of: (a) 1.25 times the Annual Debt Service on all First Lien Obligations (including such Additional First Lien Obligations), and (b) 1.1 times the Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional First Lien Obligations); or
- (b) a certificate of the Issuer Representative to the effect that the Net Facility Revenues for the immediately preceding Fiscal Year (plus Investment Earnings thereon and amounts, if any, contained in a Coverage Account on the first day of such Fiscal Year) were at least equal to the greater of: (1) 1.25 times the maximum Annual Debt Service on all First Lien Obligations (including such Additional First Lien Obligations), or (2) 1.1 times the maximum Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional First Lien Obligations); and
- (c) if the Additional First Lien Obligations are being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any First Lien Obligations, a certificate of an Issuer Representative to the effect that the Annual Debt Service of the Issuer in each year on account of such Additional First Lien Obligations would be less than the Annual Debt Service of the Issuer on account of the First Lien Obligations to be refunded, repurchased or refinanced for each year that such refunded, repurchased or refinanced First Lien Obligations would have been outstanding.

Completion Bonds. The Issuer may issue Additional First Lien Obligations to finance the completion of the Intermodal Facility or additions to or expansions of the Intermodal Facility without

complying with the provisions described above. Additional First Lien Obligations issued for such purpose may not exceed in principal amount 15% of the principal amount of the series of First Lien Obligations issued to finance the Intermodal Facility or such an addition or expansion. As a condition to the issuance of Additional First Lien Obligations for such purpose, RIAC must deliver to the Trustee a certificate stating: (i) that at the time the applicable series of First Lien Obligations were issued, RIAC had reason to believe that the proceeds thereof together with other moneys expected to be available would provide sufficient moneys for the completion of the Intermodal Facility, or the addition or expansion in question; (ii) the amount estimated to be needed to so complete the Intermodal Facility or addition or expansion; and (iii) that the proceeds of such Additional First Lien Obligations, together with a reasonable estimate of investment income to be earned on such proceeds, and other moneys reasonably expected to be available for such purpose will be sufficient to complete the Intermodal Facility or such addition or expansion.

ADDITIONAL SECOND LIEN OBLIGATIONS

The Issuer may not issue any Additional Second Lien Obligations unless prior to or contemporaneously with the incurrence thereof, the Issuer delivers to the Trustee certain resolutions, certificates, opinions and other documents specified in Section 202(c) of the Indenture, and there is delivered to the Trustee either:

- (a) a report of an airport consultant to the effect that projected Net Facility Revenues (plus investment earnings thereon and amounts projected to be on deposit in a Coverage Account on the first day of a Fiscal Year) for the three Fiscal Years following either the date of the issuance of such Additional Second Lien Obligations, or the date of final expenditure of any capitalized interest funded with the proceeds of such Additional Second Lien Obligations, whichever is later, are expected, as of the end of each such Fiscal Year, to be at least equal to 1.1 times the Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional Second Lien Obligations), or
- (b) a certificate to the effect that Net Facility Revenues for the immediately preceding Fiscal Year (plus investment earnings thereon and amounts, if any, contained in a Coverage Account on the first day of such Fiscal Year) were at least equal to 1.1 times the maximum Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional Second Lien Obligations); and
- (c) if the Additional Second Lien Obligations are being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) any Second Lien Obligations, a certificate of an Issuer Representative to the effect that the Annual Debt Service of the Issuer in each year on account of such Additional Second Lien Obligations would be less than the Annual Debt Service of the Issuer on account of the Second Lien Obligations to be refunded, repurchased or refinanced for each year that such refunded, repurchased or refinanced Second Lien Obligations would have been outstanding.

EVENTS OF DEFAULT

Defaults. The occurrence and continuation of any of the following events will constitute an “Event of Default” under the Indenture:

- (a) failure to pay the principal of and premium, if any, or interest on any of the Obligations (other than the 2006 TIFIA Bond) or to pay Reimbursement Obligations when the same shall become due and payable, either at Stated Maturity, by proceedings for redemption or pursuant to the terms of the Obligations, or any failure to purchase or cause to be purchased any indebtedness incurred upon any optional or mandatory tender to the Issuer or a tender agent of the Issuer, or
- (b) the occurrence and continuance of an event of default by RIAC under the loan agreement evidencing the Issuer's loan of the proceeds of the 2018 First Lien Refunding Bonds, a Credit Facility, First Lien DSRF Security, or with respect to any Credit Facility for First Lien Obligations; or
- (c) destruction or damage of substantially all or any major portion of the Intermodal Facility to the extent of impairing its efficient operation and materially adversely affecting the Facility Revenues, which shall not be promptly repaired, replaced or reconstructed (whether such failure promptly to repair, replace or reconstruct the same is due to the impracticability of such repair, replacement or reconstruction or to lack of funds therefor or for any other reason); or
- (d) judgment for the payment of money is rendered against the Issuer or RIAC if such judgment is in an amount such that its payment would, in the opinion of the Trustee, have a materially adverse effect upon the financial condition of the Issuer or RIAC, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to set aside or stay the execution of or levy under such judgment, decree or process or the enforcement thereof, or
- (e) the occurrence of a Bankruptcy-Related Event that shall not have been cured, vacated, discharged or stayed within sixty (60) days after the occurrence thereof; or
- (f) the failure of the Issuer to duly and punctually perform the covenants, conditions, agreements and provisions contained in any Obligations (other than the 2006 TIFIA Bond) or in the Indenture on the part of the Issuer to be performed (other than with respect to the 2006 TIFIA Bond), which continues for sixty (60) days after written notice from the Trustee to the Issuer, excluding certain covenants of the Indenture to the extent that the Issuer's failure to perform the same is not stayed.

Remedies. Upon the occurrence of an Event of Default, the Trustee will, but only upon the written request of the Secured Owners of not less than twenty percent (20%) in principal amount of the Obligations then Outstanding, proceed to protect and enforce its rights and the rights of the Secured Owners under the Enabling Acts and under the Indenture 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, either for mandamus or the specific performance of any covenant or agreement contained in the Indenture or in aid or execution of any power therein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then due or becoming due during any Event of Default, and at any time remaining unpaid from the Issuer for principal, interest or otherwise under any of the provisions of the Indenture or of the Outstanding Obligations, with interest on overdue payments, to the extent permitted by law, at the rate or rates of interest borne by such Obligations, together with any and all costs and expenses of collection and of all proceedings under the Indenture and such Obligations, without prejudice to any other right or remedy of the Trustee or of the Secured Owners, and to recover and enforce judgment or decree against the Issuer for any portion of such amounts remaining unpaid, with interest, costs and expenses. Any such judgment or decree for payment of such amounts against the Issuer may be collected solely from Net Facility Revenues.

To the extent that the First Lien Obligations are secured by a Credit Facility or a First Lien DSRF Security, the bank or the insurer issuing the same shall be considered the Secured Owner of such Obligations for all purposes of exercising any remedy or giving any directions to the Trustee pursuant to the Indenture.

Acceleration. Acceleration of the principal of or interest on the Obligations is not a remedy available under the Indenture upon the occurrence of an Event of Default, and in no event shall the Trustee, the Secured Owners or other parties have the ability, upon the occurrence of an Event of Default, to declare immediately due and payable the principal of or interest on any of the Obligations.

Right of Secured Owners to Control Proceedings. Anything in the Indenture to the contrary notwithstanding, all enforcement remedies and rights to waive defaults with respect to the Obligations may be exercised by the Secured Owners of not less than a majority in principal amount of the First Lien Obligations Outstanding (or, if no First Lien Obligations are then Outstanding, then the Secured Owners of not less than a majority in principal amount of the Second Lien Obligations and Subordinate Lien Obligations then Outstanding) but only with the written consent of the Bond Insurer, if any, with respect to such Obligations, and, in the alternative, at the option of the Bond Insurer, such Bond Insurer may enforce any such remedies or waive any default with respect to such Obligations without the consent of the Secured Owners. A Bond Insurer or Secured Owners may exercise such right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, directing the method and place of conducting all remedial actions to be taken by the Trustee, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Secured Owners not parties to such direction.

Application of Moneys. If at any time the moneys in the First Lien Debt Service Fund, the Second Lien Debt Service Fund or the Subordinate Lien Debt Service Fund, and the respective reserve funds and other funds established by the Indenture are insufficient to pay the principal of or the interest on any Obligations as the same become due and payable, such moneys, together with any moneys then available or thereafter becoming available for such purpose shall be applied (subject to the provisions of Section 902 and Section 905 of the Indenture) as set forth in (a) through (f) below; *provided, however,* that amounts on deposit in a fund or account: (i) dedicated to the payment or security of the First Lien Obligations, the Second Lien Obligations, or the Subordinate Lien Obligations or (ii) constituting security for Additional Obligations for the benefit of one or more specific Series of Obligations shall not be applied as provided in (a) through (f) below but shall be used only for the purpose for which such deposits were made:

- (a) Unless the principal of all the First Lien Obligations shall then be due, all such moneys shall be applied first: to the payment of all installments of interest then due on the First

Lien Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installments, without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Lien Obligations; and second: to the payment of the principal of any First Lien Obligations which have matured, and, if the amount available shall not be sufficient to pay all of such matured First Lien Obligations, then to the payment thereof ratably, according to the amount due: or if no First Lien Obligations have matured, to the retirement of First Lien Obligations in accordance with the provisions of Section 517 of the Indenture.

- (b) If the principal of all the First Lien Obligations shall then be due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the First Lien Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any First Lien Obligations over any other First Lien Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the First Lien Obligations.
- (c) If there is no default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations but the principal of, premium, if any, or interest on Second Lien Obligations has not been paid when due, unless the principal of all the Second Lien Obligations shall then be due and payable, all such moneys shall be applied first: to the payment of all installments of interest then due on the Second Lien Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Second Lien Obligations; and second: to the payment of the principal of any Second Lien Obligations which have matured, and, if the amount available shall not be sufficient to pay all of such matured Second Lien Obligations, then to the payment thereof ratably, according to the amount due: or if no Second Lien Obligations have matured, to the retirement of Second Lien Obligations in accordance with the provisions of Section 517 of the Indenture.
- (d) If there is no Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations but the principal of all the Second Lien Obligations shall then be due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Second Lien Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Second Lien Obligations over any other Second Lien Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Second Lien Obligations.
- (e) If there is no Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations or the Second Lien Obligations but the

principal of, premium, if any, or interest on Subordinate Lien Obligations has not been paid when due, unless the principal of all the Subordinate Lien Obligations shall then be due and payable, all such moneys shall be applied first: to the payment of all installments of interest then due on the Subordinate Lien Obligations, in the order of the Maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Obligations; and second: to the payment of the principal of any Subordinate Lien Obligations that have matured, and, if the amount available shall not be sufficient to pay all of such matured Subordinate Lien Obligations, then to the payment thereof ratably, according to the amount due: or if no Subordinate Lien Obligations have matured, to the retirement of Subordinate Lien Obligations in accordance with the provisions of Section 517 of the Indenture.

- (f) If there is no Event of Default existing in the payment of the principal of, premium, if any, or interest on the First Lien Obligations or Second Lien Obligations but the principal of all the Subordinate Lien Obligations shall then be due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Subordinate Lien Obligations, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Lien Obligations over any other Subordinate Lien Obligations, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Subordinate Lien Obligations.

Whenever moneys are to be applied by the Trustee as provided in (a) through (f) above, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Trustee, or otherwise setting aside such moneys, in trust for the proper purpose shall constitute proper application of such moneys by the Trustee; and the Trustee shall incur no liability whatsoever to the Issuer, to any Secured Owner or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as may be applicable at the time of application by the Trustee.

Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid to such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Secured Owner of any unpaid Obligation or the interest thereon unless such Obligation shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Remedies Vested in Trustee. All rights of action enforceable by the Trustee under the Indenture or any of the Obligations may be enforced by it without the possession of any of the Obligations or the production thereof in the trial or other proceeding relative thereto, and any such suit, action or proceeding

instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Obligations, subject to the provisions of the Indenture.

Rights and Remedies of Secured Owners. No Secured Owner of any of the Outstanding Obligations shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the execution of any trust or the protection or enforcement of any right under the Indenture or any resolution or order of the Issuer authorizing the issuance of Obligations, excepting only an action for the recovery of overdue and unpaid principal, interest or redemption premium, unless such Secured Owner previously shall have given to the Trustee written notice of the Event of Default or breach of trust or duty on account of which such suit or action is to be taken, and unless the Secured Owners of not less than twenty percent (20%) in principal amount of the Obligations then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise its power or to institute such proceeding, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are at the option of the Trustee, conditions precedent to the execution of the powers and trusts of the Indenture or for any other remedy thereunder. No one or more Secured Owners shall have any right in any manner whatever by his, her, its or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder, except in the manner therein provided, and all proceedings at law or in equity shall be instituted and maintained in the manner herein provided for the benefit of all Secured Owners of the Outstanding Obligations, except as otherwise permitted in the Indenture with reference to overdue and unpaid principal, interest or redemption premium.

Waiver of Events of Default. No remedy conferred by the Indenture upon or reserved to the Trustee, any Bond Insurer, or to the Secured Owners of the Obligations is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given by the Indenture or now or hereafter existing at law or in equity or by statute.

No delay or omission of the Trustee or of any Secured Owner of the Obligations to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or any acquiescence therein; and every power and remedy given by the Indenture to the Trustee and the Secured Owners of the Obligations may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Secured Owners of not less than a majority in principal amount of the Outstanding Obligations shall, waive any default which in its opinion shall have been remedied before the completion of the enforcement of any remedy under the Indenture, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

2006 TIFIA Loan Default Remedy. Upon the occurrence of a Bankruptcy-Related Event under the Indenture and the TIFIA Loan Agreement, the 2006 TIFIA Loan will be deemed to be and will automatically become a First Lien Obligation for all purposes of the Indenture other than with respect to the First Lien Debt Service Reserve Fund created by Section 506 thereof. USDOT will be deemed the Secured Owner of such First Lien Obligation. In the event that such Bankruptcy-Related Event is cured, on the date of such cure the status of the 2006 TIFIA Loan as a First Lien Obligation will cease and the

2006 TIFIA Loan will revert to the status of a Second Lien Obligation. If on the date a Bankruptcy-Related Event occurs any amounts are on deposit in the First Lien Debt Service Fund, such amounts shall be used to pay amounts due or to become due on the First Lien Obligations Outstanding immediately prior to the occurrence of such Event of Default.

Bond Insurer's Rights. Notwithstanding any other provision of the Indenture, if there has been filed with the Trustee a bond insurance policy, or a certified copy thereof, with respect to any Obligation, all enforcement remedies and rights to waive defaults with respect to such Obligation may be exercised by the Secured Owners only with the written consent of such Bond Insurer, and, in the alternative, at the option of the Bond Insurer, such Bond Insurer may enforce any such remedies or waive any default with respect to such Obligation without the consent of the Secured Owners, and in such event such Bond Insurer shall be deemed to be the Secured Owner for such purpose.

SUPPLEMENTAL INDENTURES AND WAIVERS

Supplemental Indentures Not Requiring Consent of Bondholders. The parties to the Indenture may without the consent of, or notice to, any Secured Owner of an Obligation, enter into Supplemental Indentures to effect any one or more of the following purposes:

- (a) to cure any ambiguity, defect or omission or correct or supplement any provision in the Indenture or in any Supplemental Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Secured Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Secured Owners or the Trustee which are not contrary to or inconsistent with the Indenture as then in effect, or to subject to the pledge and lien of the Indenture additional revenues, properties or collateral, including Defeasance Securities;
- (c) to add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power therein reserved to or conferred upon the Issuer which are not contrary to or inconsistent with the Indenture as then in effect;
- (d) to permit the appointment of a co-trustee under the Indenture;
- (e) to modify, alter, supplement or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939, the Securities Act of 1933 or any similar federal statute hereafter in effect;
- (f) to make any other change herein that is determined by the Issuer not to be materially adverse to the interests of the Secured Owners, including changes or amendments requested by any Rating Agency as a condition to the issuance or maintenance of a rating or requested rating;
- (g) to implement the issuance of Additional First Lien Obligations or additional Second Lien or Subordinate Lien Obligations permitted thereunder;

- (h) if all First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligations in a series of Obligations are book-entry obligations, to amend, modify, alter or replace any provisions relating thereto; or
- (i) to amend Section 512 of the Indenture in order to comply with the requirements of Section 148 of the Code in effect from time to time.

Supplemental Indentures Requiring Secured Owners' Consent. In addition to Supplemental Indentures permitted without consent of Secured Owners, the parties to the Indenture with the consent of the Secured Owners of at least a majority in aggregate principal amount of the Outstanding Obligations at the time such consent is given (or with the consent of each Bond Insurer providing a bond insurance policy with respect to the First Lien Obligations) for the purpose of making any modification or amendment to the Indenture. In case less than all of the Obligations then Outstanding are affected by such modification or amendment, then the consent of the Secured Owners of at least a majority in aggregate principal amount of the Obligations so affected and Outstanding at the time such consent is given shall be required unless a bond insurance policy with respect to the First Lien Obligations is outstanding, in which case the consent of each Bond Insurer providing the same shall be required; provided, that if any such modification or amendment will, by its terms, not take effect so long as any Obligations so affected remain Outstanding, the consent of the Secured Owners of such Obligations shall not be required and such Obligations shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Obligations.

No modification or amendment contained in any such Supplemental Indenture shall permit any of the following, without the consent of each Secured Owner whose rights are affected thereby:

- a) a change in the terms of stated Maturity or redemption of any Obligation or of any installment of interest thereon;
- b) a reduction in the principal amount of or redemption premium on any Obligation or in the rate of interest thereon or a change in the coin or currency in which such Obligation is payable;
- c) the creation of a lien on or a pledge of any part of the Trust Estate which has priority over or parity with (to the extent not permitted under the Indenture) the lien or pledge granted to the Secured Owners under the Indenture (but the foregoing shall not apply to the release of any part of the Trust Estate, as opposed to the creation of a prior or parity lien or pledge);\
- d) the granting of a preference or priority of any First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligation, as the case may be, over any other First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligations, except to the extent permitted in the Indenture;
- e) a reduction in the aggregate principal amount of Obligations of which the consent of the Secured Owners is required to effect any such modification or amendment; or
- f) a change in the provisions of the Indenture which govern the modification or amendment of the foregoing matters.

DISCHARGE OF THE INDENTURE AND DEFEASANCE

The security interest in the Trust Estate will terminate when the Issuer has paid or has been deemed to have paid to the Secured Owners of all Outstanding Obligations the principal, interest and premium, if any, due or to become due thereon at the times and in the manner stipulated in the Indenture, all Reimbursement Obligations have been paid to any bank providing a Credit Facility, and all other obligations owing to the Trustee, any bond registrar and all paying agents have been paid or provided for, except that the obligation to make payments and take other action required by the Indenture relating to the Rebate Fund continue until all such obligations and actions have been paid and performed in full.

Outstanding Obligations will be deemed to have been paid if the Trustee will have paid to the Secured Owners thereof, or will be holding in trust for and will have irrevocably committed to the payment of such Outstanding Obligations, moneys sufficient for the payment of all principal of and interest and premium, if any, on such Outstanding Obligations to the date of maturity or redemption, as the case may be, or Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment; provided, that a Credit Facility shall not be deemed to have been paid and no longer Outstanding until all amounts due thereunder have been paid and the Credit Facility has been terminated in accordance with its terms.

THE TRUSTEE

The Trustee for the Obligations and any Additional First, Second or Subordinate Lien Obligations shall be The Bank of New York Mellon Trust Company, N.A. and its successors and assigns.

Appendix C – Summary of Certain Provisions of the Concession Agreement

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE AMENDED AND RESTATED RENTAL CAR COMPANY CONCESSION AGREEMENT, AS AMENDED

The following is a summary of certain provisions of the Amended and Restated Rental Car Company Concession Agreement as amended (as amended, the “Agreement”) executed by and between the Rhode Island Airport Corporation (“RIAC”) and each of the rental car companies. This summary does not purport to be complete and reference is made to the Agreements for complete statements of all the provisions.

DEFINITIONS

The following terms as used in the Agreement shall have the following meanings:

“Agreement” means the Agreement which amends and restates the Current Concession Agreement as amended and which will govern the terms pursuant to which Company will conduct business at the Intermodal Facility and the Airport, each and every exhibit and schedule attached thereto, and by this reference made an integral part of the Agreement, all as amended, renewed, and extended from time to time.

“Airport Circulator” means the roadways and walkways maintained by RIAC which allow access to the Airport from Post Road, Warwick, Rhode Island, and the Airport Connector.

“Airport Terminal” means the Bruce Sundlun Terminal located at the Airport from which Airport passengers arrive and depart.

“Annual CFC Statement” means the certified audited statement of CFCs, in the form reasonably prescribed by RIAC and as amended by RIAC from time to time, which Company will provide to RIAC, without modification, on an annual basis and at Company’s sole cost and expense, on or before April 30th in each year for the previous calendar year, pursuant to the Agreement.

“Annual Gross Receipts Statement” means the certified audited statement of Gross Receipts, in the form reasonably prescribed by RIAC and as amended by RIAC from time to time, which Company will provide to RIAC, without modification, on an annual basis and at Company’s sole cost and expense, on or before April 30th in each year for the previous calendar year, pursuant to the Agreement.

“CFC” means the customer facility charge which Company, the other Intermodal RACs, and the Off-Site RACs will collect, pursuant to the provisions of R.I. Gen. Laws § 1-2-1.1 and the terms and conditions of the Agreement, from each Chargeable Customer.

“CFC Cap” means: (i) prior to the DOO, the sum of \$4.50; (ii) during the five-year period commencing with the DOO, the sum of \$5.50; (iii) on and after the fifth (5th) anniversary of the DOO, the aggregate of: (a) the sum of \$5.50; plus (b) an amount equal to \$5.50 multiplied by the percentage increase, if any, in the CPI from the fifth (5th) anniversary of the DOO until the date of calculation of the CFC Cap; and (iv) in the event that there is no commuter rail service between Warwick, Rhode Island, and Boston, Massachusetts on the DOO, or in the event that commuter rail service between Warwick, Rhode Island, and Boston, Massachusetts terminates at any time subsequent to the DOO, then the sum of the CFC Cap pursuant to (ii) or (iii) plus \$5.50.

“CFC Deficiency” means the difference, if any, between the amount that Company shall have paid to RIAC pursuant to the Agreement and the amount which RIAC determines pursuant to the Agreement as a result of an audit of Company’s books and records should have been paid by Company’, whether such CFC Deficiency is a result of Company’s intentional acts, negligence or mistake.

“Chargeable Customer” means any person who rents a motor vehicle from: (i) Company or any other Intermodal RAC and who picks up such motor vehicle or arranges for the pick up of such motor vehicle from the Intermodal Facility, including any premium or VIP customers in accordance with the Agreement; and/or (ii) an Off-Site RAC and who is picked up or dropped off at the Intermodal Facility.

“Company” means the rental car company which executes the respective Agreement, its successors and permitted assigns, and by such execution, agrees to be bound by all of the terms and conditions therein contained.

“Courtesy Vehicle” means a motor vehicle owned and/or operated by a rental car company and used to transport any rental car customer on the Airport Circulator to or from the Airport Terminal.

“CSO Area” means that portion of the Intermodal Facility, as outlined on the Preliminary Plan, in which the “customer service operations” of the Intermodal RACS will be conducted, including the customer lobby, counters and offices for all Intermodal RACs, and access to the Skywalk System will be located.

“Current Concession Agreement” means the Rental Car Concession and Lease Agreement by and between Company and RIAC which the Agreement amends and restates, and pursuant to which Company currently conducts the operation of a rental car business at the Airport.

“Debt Service” means: (i) the Special Facility Revenue Bond Debt Service; and (ii) the TIFIA Loan Debt Service.

“DOO” means the Date of Operational Opening of the Intermodal Facility when the RAC Facilities will be open to rental car operations and the Skywalk System will be operational, as determined by RIAC, and is the date on which Company and the other Intermodal RACs will begin to conduct

“Effective Date” means the date of the Agreement.

“Emergency Renewal and Replacement Reserve Fund” means the fund established by RIAC pursuant to the Indenture of Trust to pay for emergency repairs and replacements. On the DOO, the Emergency Renewal and Replacement Reserve Fund will be funded from proceeds of the CFCs collected prior to the DOO in the amount of \$2 Million.

“Facility Budget” means the budget prepared by RIAC each Fiscal Year during the Term pursuant to the Agreement.

“Facility Revenues” means the revenues collected by or on behalf of RIAC that are generated by the operation of the Intermodal Facility and/or the Skywalk System, and: (i) includes (a) the commuter parking at the Intermodal Facility; (b) deficiency fees pursuant to the

Agreement; (c) the RAC Rental Fees pursuant to the Agreement; (d) the concession and/or lease agreements with other third parties; (e) the CFCs collected pursuant to the Agreement; and (f) the UFCs collected pursuant to the Agreement; (g) any payments for access to and/or use of the Skywalk System pursuant to the provisions of the Agreement; and (h) UFC deficiency fees pursuant to the Agreement; and (ii) specifically excludes: (a) the Privilege Fees collected pursuant to the Agreement; (b) deficiency fees pursuant to the Agreement; and (c) late charges and interests pursuant to the Agreement.

“Facility Site” means the site outlined on the attached Facility Site Schedule, where the Intermodal Facility is located.

“Fiscal Year” means the period commencing on the first day of July in each year and ending on the last day of June of the following year.

“Fuel System” means the fuel system to be constructed in accordance with the terms and conditions of the Agreement and the Participation Agreement and used by Company and the other Intermodal RACs in the Intermodal Facility, consisting of approximately thirty-six (36) fueling stations and the equipment to service and deliver the fuel.

“Grants” means the federal and state matching funds received pursuant to the provisions of §1214(g), and other applicable sections of the “Transportation Equity Act for the Twenty-First Century,” and the “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users” relating to the Intermodal Facility.

“Indenture of Trust” means that certain Indenture of Trust between the Issuer, RIAC and a Trustee, in connection with the issuance of the Special Facility Revenue Bonds and TIFIA Bonds, as amended from time to time.

“Intermodal Facility” means the intermodal transportation facility to be constructed by RIAC or RIDOT at the Facility Site for train, bus, commuter, and rental car access to, and egress from, the Airport, and that will contain a train station and platforms, a bus pickup and drop-off area, commuter parking spaces, RAC Facilities, and the Skywalk System.

“Intermodal General Purpose Fund” means the fund established pursuant to the Indenture of Trust for any purpose related to the Intermodal Facility, including the restoration of deficiencies in any funds or accounts under the Indenture of Trust.

“Intermodal RAC” means any one of the Major RACs or the Small RACs, and includes Company.

“Issuer” means the Rhode Island Commerce Corporation, formerly known as Rhode Island Economic Development Corporation, a public corporation, governmental agency, and public instrumentality of the State of Rhode Island, and its successors and assigns.

“Major RAC” means any one of the rental car companies serving the Airport from individually assigned areas of the CSO Area and which has a RAC Market Share which is equal to or greater than two and one-half (2½%) percent.

“Majority-in-Interest” means at least two-thirds (2/3) of the Intermodal RACs, rounded up to the next whole number of the Intermodal RACs, which also represent at least sixty-seven (67%)

percent of the total RAC Market Share revenues of Intermodal RACs as reported to RIAC during the most recently filed Annual Gross Receipts Statement.

“Monthly CFC Statement” means the detailed statement of CFCs, in the form reasonably prescribed by RIAC and as amended by RIAC from time to time, which Company will provide to RIAC, pursuant to the Agreement, without modification, on a monthly basis and at Company’s sole cost and expense, on or before the fifteenth (15th) day of the month following the month in which the CFCs were collected.

“Monthly Gross Receipts Statement” means the detailed statement of Gross Receipts, in the form reasonably prescribed by RIAC and as amended by RIAC from time to time, which Company will provide to RIAC, pursuant to the Agreement, without modification, on a monthly basis and at Company’s sole cost and expense, on or before the fifteenth (15th) day of the month following the month in which the Gross Receipts were received.

“Off-Site Location” means any rental car operations of a rental car company which is located outside of the Intermodal Facility.

“Off-Site RAC” means any rental car company which services Airport passengers exclusively from a location outside the Airport within the state of Rhode Island, and which will not be located at the Intermodal Facility or at the Airport.

“Operating and Maintenance Costs” means any and all: (i) costs and expenses paid or accrued for the operation, maintenance, administration, management, security, and ordinary repairs of the Intermodal Facility, excluding, however, RAC Exclusive Space and the RAC Common QTA Space; and (ii) amounts necessary to fund the Operating and Maintenance Reserve Fund as required by the Indenture of Trust.

“Operating and Maintenance Reserve Fund” means the reserve fund established by RIAC pursuant to the Agreement, prior to the DOO, in an initial amount equal to approximately six (6) months’ Operating and Maintenance Costs estimated at the time of issuance of the Special Facility Revenue Bonds and all interest and other earnings accrued thereon.

“Participation Agreement” means the Participation Agreement which all of the Intermodal RACs are entering into contemporaneously therewith pursuant to the Agreement.

“Preliminary Plan” means the preliminary plan and space allocation for the Intermodal Facility, which is subject to change pursuant to the Agreement.

“Privilege Fee” means the monthly business privilege fee that Company and the other Intermodal RACs will collect from every Chargeable Customer pursuant to the Agreement.

“Privilege Fee Deficiency” means the difference, if any, between the amount that Company will have paid to RIAC as Privilege Fees pursuant to the Agreement and the amount that RIAC determines as a result of an audit of Company’s books and records should have been paid by Company, whether, such Privilege Fee Deficiency was a result of Company’s intentional acts, negligence or mistake.

“QTA Area” means the “quick turnaround” rental car fuel and wash facilities for use by the Intermodal RACs to be constructed in accordance with the terms and conditions of the Agreement,

and includes vacuum and fluid distribution systems, air compressors, storage systems, furniture, security camera systems, and telephone and computer systems, and the fueling system and supporting equipment.

“Pro Rata Share” means, for any particular Intermodal RAC, the percentage determined by a fraction, the numerator of which is the total number of square feet of RAC Exclusive Space allocated for such Intermodal RAC and the denominator of which is the aggregate number of square feet in the RAC Facilities.

“RAC” means, by industry custom and practice, a “rent-a-car” or rental car company.

“RAC Common Space” means those areas located in the Intermodal Facility that will be used in common by Company and all the other Intermodal RACs, including the ramp system and those portions of the CSO Area, the QTA Area, and in the event of the exercise of the option granted under the Agreement, the RIDOT Commuter Spaces, that are not reserved for the exclusive use, or are not within the exclusive control, of a particular Intermodal RAC.

“RAC Common QTA Space” means those areas located in the QTA area that will be used in common by Company and all the other Intermodal RACs.

“RAC Exclusive Space” means those areas located in the RAC Facilities that are reserved for the exclusive use, or that are within the exclusive control, of a particular Intermodal RAC, including certain portions of: (i) the CSO Area; (ii) the ready/return area; (iii) the QTA Area; and (iv) in the event of the exercise of the option granted under the Agreement, the RIDOT Commuter Spaces.

“RAC Facilities” means, as outlined on the Preliminary Plan: (i) the RAC Exclusive Space; (ii) the CSO Area; (iii) the QTA Area; (iv) the ready/return rental car spaces; (v) the rental car storage spaces; and (vi) the RAC Common Space.

“RAC Market Share,” for any particular Intermodal RAC, means the market share determined by RIAC, pursuant to the Market Share system developed by RIAC, in consultation with Company and the other Intermodal RACs, based on such Intermodal RAC’s Gross Receipts as reflected on the most recently filed Annual Gross Receipts Statement, and used for the allocation and reallocation of Intermodal RACs to zones within the Intermodal Facility, in accordance with the terms and conditions of the Agreement.

“RAC Rental Fee” means the aggregate fees payable by Company and each Intermodal RAC each year during the term of the Agreement.

“Relocation Standard” means the standard to be applied when one Major RAC shall have surpassed another Major RAC in market share ranking, or a Small RAC shall have surpassed a Major RAC in market share ranking.

“Renewal and Replacement Fund” means the fund established by RIAC pursuant to the Agreement to pay for any necessary capital repairs and replacements of the Intermodal Facility.

“Replacement Commuter Garage” means a parking structure on a site in reasonably close proximity to the Facility Site with direct access to the Intermodal Facility, with not less than 1000 commuter parking spaces, as provided in the Agreement.

Replacement RIDOT Commuter Spaces” mean the 1000 commuter parking spaces in the Replacement Commuter Garage pursuant to the Agreement. “Revenue Deficiency” means the amount, if any, by which the aggregate of Operating and Maintenance Costs, Debt Service, and any other amounts required to be deposited into special funds under the Indenture of Trust exceeds Facility Revenues in any Fiscal Year.

“Revenue Surplus” means the amount, if any, by which Facility Revenues exceeds the aggregate of Operating and Maintenance Costs plus Debt Service in any Fiscal Year.

“RIAC” means Rhode Island Airport Corporation, a quasi-public body corporate under the laws of the State of Rhode Island, and includes its affiliates, and the officers, directors, employees, and agents of RIAC and its affiliates, and their successors and assigns.

“RIDOT” means Rhode Island Department of Transportation, a department of the State of Rhode Island.

“RIDOT Commuter Spaces” means the approximately 1,000 parking spaces located in the Intermodal Facility that will be operated as commuter parking spaces for rail passengers.

“Skywalk System” means the elevated, climate-controlled, moving walkway system and structure that will be constructed and used to provide transportation between the Airport Terminal and the Intermodal Facility, and the motorized carts that will be operated in the Skywalk System.

“Small RAC” means any one of the rental car companies serving the Airport from the Small RAC Ops Areas and which has a RAC Market Share of less than two and one-half (2½) percent.

“Small RAC Ops Areas” means those portions of the CSO Area, the QTA, and the ready/return area in which the Small RACs will be located.

“Special Facility Revenue Bonds” means the taxable and/or tax-exempt revenue bonds, notes or other obligations of Issuer issued pursuant to the Indenture of Trust to finance the design, construction, and/or operation of the Intermodal Facility, any and all replacements, substitutions, refinancings, and/or additional financing thereof, the payment of principal of, premium, if any, and interest on which are payable from and secured by the proceeds thereof and rentals, payments and other charges payable by the obligor.

“Special Facility Revenue Bond Debt Service” means, for any Fiscal Year, the principal, interest, and premium payments, if any, on Special Facility Revenue Bonds, and other associated financing costs, including debt service coverage requirements, all fund deposit requirements, any credit facility reimbursement obligations or bond insurance obligations, sinking fund payments, call premiums, remarketing fees, credit facility fees, trustee fees, paying agent fees and any other costs and fees payable in connection with such bonds.

“Tenant Improvement Fund” means the \$12.368 Million tenant improvement fund that RIAC will establish and make available to Company and the other Intermodal RACs from the Special Facility Revenue Bonds and/or the TIFIA Loan pursuant to the terms and conditions of the Agreement.

“Tenant Improvement Fund Debt Service” means, in the event that the aggregate amount actually distributed by RIAC to the Intermodal RACs from the Tenant Improvement Fund

pursuant to the terms and conditions of the Participation Agreement and the Agreement is less than or equal to \$9 Million, an amount equal to one-half of such aggregate amount actually distributed, and in the event that the aggregate amount actually distributed by RIAC to the Intermodal RACs from the Tenant Improvement Fund pursuant to the terms and conditions of the Participation Agreement and the Agreement is in excess of \$9 Million, then the amount equal to such aggregate amount actually distributed in excess of \$4.5 Million; plus in either case, interest calculated at the rate chargeable by TIFIA under the TIFIA Loan both prior and subsequent to the DOO; plus, in either case, all other associated financing costs and any other costs and fees payable in connection with the repayment of the Tenant Improvement Fund.

“Term” means the term of the Agreement pursuant to the Agreement.

“TIFIA” means the Transportation Infrastructure Finance and Innovation Act of 1998, 23 U.S.C. §§ 181-189.

“TIFIA Bonds” means the revenue bonds, notes or other obligations of Issuer issued pursuant to the Indenture of Trust, as amended by the First Supplemental Indenture of Trust evidencing the TIFIA Loan.

“TIFIA Loan” means the loan extended pursuant to a certain Master TIFIA Loan Agreement entered into between Issuer and the United States Department of Transportation, acting by and through the Federal Highway Administrator, RIDOT, and/or RIAC, in connection with the construction of the Intermodal Facility and is evidenced by the TIFIA Bonds.

“TIFIA Loan Debt Service” means, for any Fiscal Year, the principal and interest payable under the TIFIA Loan, and other associated financing costs, including debt service coverage requirements, and any other costs and fees payable in connection with such loan.

“Transaction Day” means each twenty-four (24) hour period, plus any waiver or grace period of one hour or less allowed by any Intermodal RAC or Off-Site RAC, during which a customer rents a vehicle from such company, and which constitutes a transaction day pursuant to such company’s rental car agreement or customary practices.

“Transaction Day Estimate” means the estimate of Transaction Days that each Intermodal RAC will prepare pursuant to the Agreement.

“UFC” means the utility facility charge, which Company, the other Intermodal RACs, and the Off-Site RACs will collect, pursuant to the terms and conditions of Article 14 of the Agreement, from each Chargeable Customer.

“UFC Deficiency” means the difference, if any, between the amount that Company shall have paid to RIAC pursuant to Article 14 of the Agreement and the amount which RIAC determines as a result of an audit of Company’s books and records should have been paid by Company, whether such UFC Deficiency is a result of Company’s intentional acts, negligence or mistake.

“Zoning Plan” means the plan of separate and distinct zones into which RIAC will divide each functional area of the Intermodal Facility pursuant to the Agreement, and which will be further divided among the Intermodal RACs according to their respective RAC Market Shares.

Term

The Agreement shall continue in full force and effect until the day immediately preceding the twentieth (20th) anniversary of the DOO; provided, however, that, at RIAC's option, exercisable by written notice to Company at any time on or after the seventeenth anniversary of the DOO, the term of the Agreement will continue up to a maximum term of thirty (30) years from the DOO, in the event that RIAC determines, in its sole discretion, that such longer term is necessary or desirable in order to avoid the prepayment of the Special Facility Revenue Bonds or the TIFIA Loan.

Participation in the Intermodal Facility

Intermodal Facility Participation. Company will participate in the Intermodal Facility as an Intermodal RAC upon the terms and conditions set forth in the Agreement. Participation within the individually assigned areas of the RAC Facilities will be limited to Major RACs. Small RACs will be permitted to initiate operations at the Intermodal Facility only within the Small RAC Ops Areas. Small RACs operating within the Small RAC Ops Areas may be granted individually assigned areas of the Intermodal Facility in the event they meet the minimum Major RACs' Market Share at any anniversary of the DOO which is divisible by five.

Prohibition Against Diversion. During the Term, Company shall not:

- i. divert, attempt to divert, or knowingly permit diversion of, any rental car customer who arrived at the Airport to any Off-Site Location;
- ii. transport or cause to be transported any rental car customer to the Airport Terminal from any Off-Site Location or from the Airport Terminal to any Off-Site Location; or
- iii. transport or cause to be transported any rental car customer to the Intermodal Facility from any Off-Site Location or from the Intermodal Facility to any Off-Site Location.

Breach. In the event that Company attempts to divert or knowingly permits the diversion of any Airport rental car customer to an off-site location, in addition to any other remedies RIAC may have hereunder or under applicable law, Company shall promptly pay to RIAC penalties as set forth in the Agreement for the first four offenses in any calendar year. Charges and interest paid shall not be deemed to be Facility Revenues. In the event of a fifth offense by Company in any calendar year, such offense will be deemed to be an Event of Default under the Agreement, and RIAC will have the right to cause the Agreement to be terminated, and to be without further force or effect, and in such event, Company will have no further rights thereunder. Company will not be liable, however, for any isolated offense in connection with any Airport passenger who inadvertently uses Company's off-site location or who inadvertently travels to or from the Airport without using the Intermodal Facility or to or from the Intermodal Facility, provided that Company provides: (i) appropriate supporting documentation satisfactory to RIAC in its sole discretion; and (ii) submits the Privilege Fee, the CFC and the UFC to RIAC for such Airport passenger.

Description of the Intermodal Facility

General Description. The Intermodal Facility consists of a six-level structure. Specifically, the RAC Facilities include: (i) the QTA Area, a Fuel System that includes fuel storage, fueling stations, stacking spaces, break rooms, equipment/staff support areas and storage rooms; (ii) the CSO Area at the terminus of the Skywalk System; (iii) rental car spaces; and (iv) vertical circulation for Intermodal RAC customers provided through multiple elevator and/or escalator banks.

Up to five (5%) percent of the CSO Area, five (5%) percent of the ready/return spaces, and one (1) wash bay and two (2) fuel stations may be incorporated into the Intermodal Facility as a Small RAC Ops Areas.

Skywalk System

- (a) Construction. The Skywalk System includes a series of separate moving walkways in an elevated structure with access at one end in the CSO Area of the Intermodal Facility and access at the other end in the Airport Terminal.
- (b) Access to System. The Skywalk System will travel through an area designated by the City of Warwick as the Warwick Train Station Redevelopment District which may be redeveloped after the Effective Date with hotels, office buildings, and/or apartment complexes. In the event of any such redevelopment, additional access areas to the Skywalk System may be constructed between the CSO Area and the Airport Terminal for transport to and from the Airport Terminal and/or the Intermodal Facility. RIAC will secure reasonable payment for such access and will include in any agreement providing such access a provision prohibiting and preventing any rental car operations at any location other than the Intermodal Facility within the Redevelopment District from access to the Skywalk System

Commuter Spaces. RIAC or RIDOT will manage or cause to be managed the RIDOT Commuter Spaces in the Intermodal Facility for use by commuters. Commencing with the seventh (7th) anniversary of the DOO, and expiring on the second day immediately preceding the seventeenth (17th) anniversary of the DOO, the Intermodal RACs will have an option to acquire the lease for the RIDOT Commuter Spaces in consideration of the payment of their then replacement value. RIDOT, RIAC and the Intermodal RACs will replace the RIDOT Commuter Spaces with the Replacement RIDOT Commuter Spaces in the Replacement Commuter Garage and pay for the capital costs of the Replacement RIDOT Commuter Spaces with the proceeds of the replacement option payment. The replacement option payment will be applied to the replacement value and will be determined by an appropriate procurement process. The Replacement Commuter Garage must have direct access to the Intermodal Facility and must be operational before the RIDOT Commuter Spaces will be available to the Intermodal RACs to ensure uninterrupted commuter parking. The option granted pursuant to the Agreement will be exercisable by a Majority-in-Interest of the Intermodal RACs upon three (3) years' prior written notice to RIDOT and RIAC. The RIDOT Commuter Spaces will be allocated among the Intermodal RACs in accordance with the allocation provisions of the Agreement, and the Intermodal RACs will pay rent for such spaces, pursuant to the Agreement. The Intermodal RACs will have the right to use the RIDOT Commuter Spaces for the exclusive purpose of their rental

car operations as permitted under the terms and conditions of the Agreement, and not for any other purpose. The lease for the RIDOT Commuter Spaces will be coterminous with the Term of the Agreement, and in the event that the Intermodal RACs exercise the option to acquire the lease granted under the Agreement, the Intermodal RACs right to use the RIDOT Commuter Spaces for their rental car operations will terminate on the last day of the Term.

Financing of the Intermodal Facility

Source of Financing. The costs for financing, designing, constructing and equipping the Intermodal Facility will be paid from the proceeds of the CFCs prior to the DOO, the TIFIA Loan, the Grants, and the Special Facility Revenue Bonds. In no event will RIAC use or be required to use general airport revenues for acquisition or lease of the Facility Site, or the design, construction, operations or maintenance costs of the Intermodal Facility or the Skywalk System. All Privilege Fees and deficiency fees, late charges and interest paid pursuant to certain sections of the Agreement from the Intermodal RACs and the Off-Site RACs collected by RIAC will constitute general airport revenues and shall not be dedicated for acquisition or lease of the Facility Site, or the design, construction, operation or maintenance costs of the Intermodal Facility or the Skywalk System.

Debt Service. Debt Service will be paid from Facility Revenues. In no event will RIAC use or be required to use general airport revenues for the payment of any Debt Service. In no event will RIDOT or the State of Rhode Island be requested to use any funds for the payment of Debt Service.

Tenant Improvement Fund

Purpose and Allocation. RIAC will make available to Company and the Intermodal RACs from the Special Facility Revenue Bonds and/or the TIFIA Loan the Tenant Improvement Fund up to the amount of \$12.368 Million to finance, in the following order of priority pursuant to the Agreement and the terms and conditions of the Participation Agreement: (i) first the Fuel System; (ii) then the fuel and wash facilities in the QTA Area; and; (iii) then tenant fit-out in the CSO Area. Available funds for tenant fit-out will be allocated among those Intermodal RACs that elect to use such funds in accordance with the terms and conditions of the Participation Agreement. The obligation to repay that portion of the Tenant Improvement Fund Debt Service which relates to the design and construction of the Fuel System will be the obligation of each Intermodal RAC in accordance with its Pro Rata Share. In connection with the issuance of the Special Facility Revenue Bonds and/or the extension of the TIFIA Loan, RIAC will establish procedures pursuant to which the amount of \$12.368 million will be deposited into, and disbursed from, the Tenant Improvement Fund for the purposes set forth in the Agreement. The Intermodal RACs will repay the Tenant Improvement Fund Debt Service pursuant to the terms and conditions, and in the order of priority, set forth in the Agreement.

Responsibility for Fueling Stations. Each Intermodal RAC will be responsible to repay that percentage of the Tenant Improvement Fund Debt Service attributable to the design and construction of the Fuel System that is equal to the quotient obtained by dividing the aggregate number of fueling stations allocated to each such Intermodal RAC by the aggregate number of all fueling stations allocated to all Intermodal RACs.

Responsibility for Tenant Fit-Out. Each Intermodal RAC that receives funds for tenant fit-out will be responsible to repay that percentage of the Tenant Improvement Fund Debt Service attributable to the tenant fit-out that is equal to the quotient obtained by dividing the amount of the Tenant Improvement Fund used by each such Intermodal RAC for its tenant fit-out by the aggregate amount of the Tenant Improvement Fund expended by all Intermodal RACs for tenant fit-out.

Establishment of Special Funds

Establishment. RIAC will create and maintain or authorize the establishment and maintenance of certain funds, including the following special funds, pursuant to the Indenture of Trust, which may contain one or more accounts and subaccounts as may be necessary or desirable to carry out or administer the provisions of the Agreement, and shall be applied and disbursed as provided in the Indenture of Trust: (i) Operating and Maintenance Reserve Fund; (ii) Renewal and Replacement Fund; (iii) Emergency Renewal and Replacement Reserve Fund; and (iv) Intermodal General Purpose Fund.

Interest and Earnings. All interest and other earnings on the Operating and Maintenance Reserve Fund and the Renewal and Replacement Fund shall remain in such funds to be used and distributed in accordance with the purposes for which such funds are established.

Distribution of Revenue Surplus. At the end of every Fiscal Year, Revenue Surplus shall be used and distributed in the following manner:

- i. first, for deposit into the Renewal and Replacement Fund until the aggregate amount in such fund totals \$10 Million, and then for deposit into such fund to maintain the amount in such fund at all times at \$10 Million; and then
- ii. second, in the event that the Intermodal RACs exercise the option for the RIDOT Commuter Spaces granted pursuant to the Agreement, then from and after the exercise of such option until the expiration or sooner termination of the Term, for the payment of the replacement value of the RIDOT Commuter Spaces; and then
- iii. third, from the balance of the Revenue Surplus, to the Intermodal General Purpose Fund created and maintained under the Indenture of Trust, to be used for the purposes specified in the Indenture of Trust, including, in RIAC's sole discretion, to: (a) reduce the amount of the CFCs; provided, however, that RIAC shall have no obligation to reduce the CFCs except in increments of \$.25 at a time; or (b) prepay the Special Facility Revenue Bonds or the TIFIA Loan, in whole or in part, and in any amounts or combination of amounts.

Priority. Facility Revenues will be utilized in the priority required by the Indenture of Trust, and RIAC shall pay Debt Service, including sufficient coverages to satisfy all loan and reserve account requirements and the other costs provided under the Agreement.

Customer Facility Charge

Charge. Company shall charge and collect, together with all other Intermodal RACs and Off-Site RACs, in trust for the benefit of RIAC, a daily CFC from each Chargeable Customer on all rental car transactions. The CFC shall be identified as either "Customer Facility Charge" or "CFC" on a separate line on: (i) Company's general ledger; and (ii) all Company's rental car agreements. On the date hereof, the amount of the CFC is \$6.00. From time to time during the Term, RIAC, in its sole discretion, may determine the amount of the CFC, and such the amount of the CFC may exceed the CFC Cap.

Compliance. In connection with the collection of the CFC, Company shall at all times comply with the terms and conditions of R. I. Gen. Laws §1-2-1.1(a)-(e), "Powers relating to vehicular traffic accessing airport facilities - T.F. Green state airport," and R. I. Gen. Laws § 1-21-7.1 (a)-(c), "Sales taxes and surcharges on customer facility charges."

Distribution. Prior to the DOO, the CFCs will be used for costs incurred in connection with the design, financing, and construction of the Intermodal Facility and the establishment of the funds created pursuant to the Agreement. Subsequent to the DOO, the CFCs will be used for the payment of the Debt Service, the Operating and Maintenance Costs, and any other costs and expenses incurred in connection with the operation and maintenance of the Intermodal Facility.

Collection. Collection of the CFCs commenced on July 1, 2001. Company and the other Intermodal RACs will continue to charge and collect the CFCs in trust as agents for the benefit of RIAC pursuant to R. I. Gen. Laws §1-2-1.1(a)-(e), "Powers relating to vehicular traffic accessing airport facilities - T.F. Green state airport," as provided therein.

Monthly CFC Statement and Payment. All CFC collections, and all CFCs required to be charged and collected, will be paid to RIAC or its designee on or before the fifteenth (15th) day following the end of the calendar month in which they are collected. If Company fails to submit the Monthly CFC Statement within the time period set forth in the Agreement, a \$50.00 late charge will accrue and be immediately due and payable for each day the Monthly CFC Statement is past due. If the CFCs are not paid within the time period set forth in Section 6.5 of the Agreement, an interest rate equal to the lesser of one and one-half (1.5%) percent per month or the maximum interest rate permitted under applicable law, compounded monthly, will be applied to any amounts overdue. Late charges and interest paid under the Agreement shall not be deemed to be Facility Revenues.

Deficiency. In the event that RIAC determines, in connection with an audit of Company's books and records, that the amount paid by Company was less than the CFC payments required to be collected and paid to RIAC by Company pursuant to the Agreement, as a result of Company's intentional acts, negligence or mistake, Company shall immediately pay to RIAC the CFC Deficiency, plus interest on the CFC Deficiency at a rate equal to the lesser of one and one-half (1.5%) percent per month or the maximum rate permitted by applicable law, compounded monthly, from the dates such payments were due until paid in full. Additionally, if the CFC Deficiency is equal to or greater than three (3%) percent but less than five (5%) percent of the CFCs required to be paid, Company shall pay the CFC Deficiency, and: (i) Company shall pay to RIAC, as a deficiency fee, an amount equal to ten (10%) percent of the CFC Deficiency; and (ii) Company shall reimburse RIAC in full for the cost of RIAC's audit. If the CFC Deficiency is equal to or greater than five (5%) percent of the CFCs required to be paid, Company shall pay the CFC

Deficiency, and: (i) Company shall pay to RIAC, as a deficiency fee, an amount equal to twenty-five (25%) percent of the CFC Deficiency; and (ii) Company shall reimburse RIAC in full for the cost of RIAC's audit. Any deficiency fees payable will be deemed to be Facility Revenues.

Lien. The CFC collections by the Company prior to remittance to RIAC shall be subject at all times to a first lien for the repayment of the Special Facility Revenue Bond Debt Service and the TIFIA Loan Debt Service.

Utility Facility Charge

UFC Charge. Company shall charge and collect, together with all other Intermodal RACs and Off-Site RACs, in trust for the benefit of RIAC, a daily UFC Charge from each Chargeable Customer on all rental car transactions. The UFC shall be identified on a separate line on: (i) Company's general ledger; and (ii) all Company's rental car agreements. All UFCs required to be charged and collected, whether or not collected, will be payable to RIAC in accordance with the provisions of the Agreement.

Amount. The initial amount of the UFC is \$1.00 per transaction day. From time to time during the term, RIAC, in its sole discretion, may determine the amount of the UFC.

Purpose. The UFC shall be included as Facility Revenue and shall be used for the payment of utilities, including amounts that are charged to RIAC and no separately metered to Company or the Intermodal RACs, and amounts metered to Company or the QTA Operations Manager, as defined in the Participation Agreement, on behalf of the Intermodal RACs. RIAC reserves the right not to pay amounts metered and invoiced to the QTA Operations Manager and to charge the Intermodal RACs based on their Intermodal RAC Pro Rata Share of the cost of utilities metered and invoiced to RAIC should the UFC collected not be sufficient or should RIAC discontinue the UFC, in its sole discretion. Nothing in this amendment released the Company or the Intermodal RAC's from their responsibilities for payments of utilities under this Amended and Restated Agreements. Any collections that exceed the cost of utilities shall be used for any lawful purpose including the payment of the Debt Service, the Operating and Maintenance Costs, and any other costs and expenses incurred in connection with the operation and maintenance of the Intermodal Facility.

Monthly UFC Statement and Payment; Late Charges; Interest. All UFC collections, and all UFCs required to be charge and collected, will be paid to RIAC or its designee on or before the fifteenth (15th) day following the end of the calendar month in which they are collected. The monthly payment of the UFCs by Company shall be accompanied by the monthly UFC statement on a form provided by RIAC, as such form may from time to time be amended, which form shall include an accounting of all UFCs chargeable and collected by Company under this Agreement for such month and shall be signed by a responsible accounting officer of Company ("Monthly UFC Statement") and shall be submitted for each month during the term of this Agreement. If Company fails to submit the Monthly UFC Statement within the time period set forth in the Agreement, a \$50.00 late charge will accrue and be immediately due and payable for each day the Monthly UFC Statement is past due and in addition to the \$50.00 late charge, an interest rate equal to the lesser of one and one-half (1.5%) percent per month or the maximum interest rate permitted under applicable law, compounded monthly, will be applied to any amounts overdue or amounts paid without a corresponding Monthly UFC Statement until such overdue amounts shall have been paid in full and/or the corresponding Monthly UFC Statement in proper form received

by RIAC. Late charges and interest paid shall not be deemed to be Facility Revenues. Company shall submit the Monthly UFC Statement to RIAC or its designee each month, whether or not Company charged and/or collected any UFCs.

Overcollections. In the event that Company collects from any Chargeable Customer an amount greater than required as a UFC pursuant to the Agreement, Company shall either: (i) refund the entire amount to such Chargeable Customer and provide RIAC with appropriate evidence satisfactory to RIAC that such refund shall have been made; or (ii) irrevocably remit the entire amount to RIAC.

UFC Deficiency. In the event that RIAC determines, in connection with an audit of Company's books and records, that the UFCs paid by Company was less than the UFC payments required to be collected and paid to RIAC by Company pursuant to the Agreement, as a result of Company's intentional acts, negligence or mistake, Company shall immediately pay to RIAC the UFC Deficiency, plus interest on the UFC Deficiency at a rate equal to the lesser of one and one-half (1.5%) percent per month or the maximum rate permitted by applicable law, compounded monthly, from the dates such payments were due until paid in full, and, additionally, if the UFC Deficiency is equal to or greater than three (3%) percent but less than five (5%) percent of the UFCs required to be paid, Company shall pay the UFC Deficiency, and: (i) Company shall pay to RIAC, as a deficiency fee, an amount equal to ten (10%) percent of the UFC Deficiency; and (ii) Company shall reimburse RIAC in full for the cost of RIAC's audit. If the UFC Deficiency is equal to or greater than five (5%) percent of the UFCs required to be paid, Company shall pay the UFC Deficiency, and: (i) Company shall pay to RIAC, as a deficiency fee, an amount equal to twenty-five (25%) percent of the UFC Deficiency; and (ii) Company shall reimburse RIAC in full for the cost of RIAC's audit. Any deficiency fees so payable will be deemed to be Facility Revenues.

Lien. The UFC, the UFC Deficiency and all fees determined to be Facility Revenues under this Agreement shall be subject at all times to a first lien for the repayment of the Special Facility Revenue Bond Debt Service and second lien for the repayment of the TIFIA Loan Debt Service, and any Additional First Lien Obligations and Additional Second Lien Obligations under the Indenture of Trust.

Inconsistent Provisions. In the event of any inconsistency between the provisions of the Agreement and the Indenture of Trust, the provisions of the Indenture of Trust will govern

Access to the Airport and Intermodal Facility

Company, and each of the other Intermodal RACs, will have access to the Airport for the conduct of its rental car operations only: (i) at the Intermodal Facility; and (ii) in accordance with the terms and conditions of the Agreement. In the event that RIAC determines, in its sole discretion, to permit Off-Site RACs to pick up or drop off Airport customers at the Intermodal Facility, RIAC will require that any Off-Site RAC intending to gain such access to the Intermodal Facility must agree to: (i) pay RIAC Privilege Fees in the same manner as the Intermodal RACs pursuant to the Agreement; and (ii) collect CFCs in the same manner as the Intermodal RACs pursuant to the Agreement.

Restriction

Airport Entry and Exit. RIAC's Board of Directors has amended RIAC's ground transportation regulations to: (i) require that all Intermodal RACs and Off-Site RACs pick up and drop off their Airport customers only at the Intermodal Facility commencing on the DOO; and (ii) prohibit rental car companies from making arrangements for their customers to be picked up or dropped off at the Airport, whether by valet, shuttle, or Courtesy Vehicle, at any location other than the Intermodal Facility.

Parking Customers. Company shall not be prohibited from operating Courtesy Vehicles on the Airport Circulator or otherwise at the Airport which transport customers who utilize Company's off-airport parking facilities exclusively and who have not entered into and will not enter into rental car agreements with Company prior to or after such transport, provided that: (i) such Courtesy Vehicles do not advertise in any way the rental car operations of Company; and (ii) such Courtesy Vehicles display appropriate signage directing rental car customers to utilize the Skywalk System.

Premium Service. Company may operate premium or VIP service to and from the Airport Terminal, provided that: (i) Company complies with RIAC's ground transportation regulations, as in effect from time to time, including the regulations relating to vehicles for hire; and (ii) Company demonstrates, in RIAC's sole discretion, that the aggregate revenues received by Company from the operation of any such service do not exceed one and one-half (1.5 %) percent of Company's Gross Receipts in any calendar year.

Persons with Disabilities. The Intermodal RACs will have the right, in accordance with RIAC's ground transportation rules, as in effect from time to time, to drop off and pick up in an area at or near the Airport Terminal designated by RIAC from time to time any rental car customers who have physical disabilities that interfere with such customers' ability to use the Skywalk System.

Allocation of Space

Allocations. RAC Exclusive Space within the Intermodal Facility will be allocated and reallocated to each Major RAC, and the Small RACs will be assigned space within the Intermodal Facility, in accordance with the terms and conditions provided in the Agreement.

CSO Area.

- (a) Zones In coordination with the Intermodal RACs, RIAC established certain zones allocated by RAC Market Shares in the for counter and office operations, based on its determination of the best long-term design of the CSO Area but reasonably consistent with a market share allocation.
- (b) Assignments. Intermodal RACs will be assigned counter and office space in accordance with their respective RAC Market Shares. The Major RAC with the highest RAC Market Share will have the first selection of available space within the applicable zone, and the selection process will continue based on decreasing levels of RAC Market Share. RIAC will make reasonable efforts to accommodate each Major

RAC at or near its preferred location. The Small RACs will be assigned by RIAC to space in the Small RAC Ops Areas.

Vehicle Spaces.

- (a) Ready/Return Area. Intermodal RACs will be assigned to ready/return operations space zones in the Intermodal Facility according to RAC Market Share. No Small RAC shall have fewer than twenty (20) ready/return spaces. The Major RAC with the highest RAC Market Share will have the first selection of available ready/return spaces within applicable zones, and the selection process will continue based on decreasing ranks in RAC Market Share. RIAC will make reasonable efforts to accommodate each Major RAC at or near its preferred location. Intermodal RACs' ready/return spaces will not be split between floors without the consent of the Intermodal RACs affected. To the extent possible, each Major RAC will have ready/return spaces in close proximity (but not necessarily adjacent) to the access elevators.
- (b) Employee Parking. In the event that the Intermodal Facility contains a designated parking area for employees of the Intermodal RACs, each Intermodal RAC will be assigned spaces in such designated parking area according to each such Intermodal RAC's RAC Market Share.

QTA Area. To the extent space permits: (i) each Major RAC will be allocated for its exclusive use and maintenance, on the same level as its ready/return spaces, a specified zone of fueling stations, wash bay(s) and employee/break space and equipment/staff support areas based on its RAC Market Share; (ii) each Major RAC will receive a minimum of one wash bay, two (2) fueling stations, and twelve (12) stacking spaces; and (iii) Small RACs, collectively, will have access to one wash bay and two (2) fueling stations. All Intermodal RACs may share use of common QTA roadways, access ramps and aisles. RIAC will have the final decision in allocation of space in the QTA Area.

Timing of Allocations.

- (a) Annual Reallocation. By June 30th in each calendar year beginning with the first full calendar year after the DOO, RIAC will recalculate and reallocate each Major RAC's ready/return spaces by floor. No reallocation for any Major RAC will be made that would result in an increase of fewer than twenty (20) ready/return spaces. Each Intermodal RAC will be responsible, at its own cost and expense, to make appropriate alterations to its individually assigned ready/return spaces as are necessary and to effect the reallocation of such space within ninety (90) days after notice from RIAC of the reallocation percentages.
- (b) Relocation Reallocation. Within ninety (90) days after the end of each anniversary after the DOO which is divisible by five, RIAC will determine the RAC Market Share of each Major RAC with respect to its RAC Exclusive Space. In the event that any Major RAC has met the Relocation Standard, such Major RAC will have the right and option to exchange any of its RAC Exclusive Space with the Major RAC which it has displaced. If such Major RAC exercises the

right and option provided for in the Agreement, then RIAC shall present a relocation plan to the affected companies for their input. RIAC's decision in this matter will be final. A Major RAC required to move must comply with reasonable relocation requirements provided by RIAC. All relocation costs of the Major RAC that has met the Relocation Standard and exercised the right and option to relocate, plus all reasonable relocation costs of the Major RAC required to move, will be borne by the Major RAC exercising such relocation right and option.

Vacancy. In the event that any Intermodal RAC vacates or otherwise abandons its RAC Exclusive Space, such space will be reallocated in accordance with the provisions of the Agreement. In any such event, RIAC will make any such vacated space available first to all of the Intermodal RACs which already have space on the same floor as the vacated space, according to their respective RAC Market Shares, and then to all of the other Intermodal RACs in the Intermodal Facility, according to their respective RAC Market Shares. In the event that no Intermodal RAC wishes to occupy such vacated space pursuant to the terms and conditions of the Agreement, then RIAC may, in its sole discretion, make such space available to an Off-Site RAC or other rental car company. In the event that RIAC chooses not to offer such space to an Off-Site RAC or other rental car company, or in the event that no such Off-Site RAC or other rental car company occupies all of the space, then all of the Intermodal RACs will be responsible for the payment of the RAC Rental Fees pursuant to the Agreement for such vacant space in accordance with their respective Intermodal RAC's Shares.

Operation and Maintenance

Responsibility for Facility. Except for RAC Exclusive Space and the RAC Common QTA Space, RIAC will be responsible for the operation and maintenance of the Intermodal Facility. The Operating and Maintenance Costs will be paid by RIAC from Facility Revenues. In the event that there is a Revenue Deficiency during any year of the Term of the Agreement, then to the extent there are available funds therefor, the amount of the Revenue Deficiency will be paid from the Operating and Maintenance Reserve Fund. In the event that the funds in the Operating and Maintenance Reserve Fund are less than the Revenue Deficiency, then the Intermodal RACs will pay the balance of the Revenue Deficiency, in accordance with each Intermodal RAC's Pro Rata Share.

Budget Process. In December each year during the Term, each Intermodal RAC will: (i) estimate the number of Transaction Days it anticipates for the succeeding Fiscal Year; and (ii) submit a Transaction Day Estimate to RIAC. By April 30th of each year during the Term, RIAC will: (i) prepare a Facility Budget of the projected Operating and Maintenance Costs for the Intermodal Facility for the subsequent Fiscal Year; and (ii) furnish such budget to the Intermodal RACs. The Intermodal RACs will have thirty (30) days from receipt to review the proposed Facility Budget and a Majority-in-Interest of the Intermodal RACs will have the right to request changes to the proposed Facility Budget. RIAC will then have thirty (30) days to consider such changes. RIAC's determination of the Facility Budget will be final.

Payment of Expenses. Each Intermodal RAC will be responsible for, and will pay the costs and expenses in connection with, the operation and maintenance of: (i) its RAC Exclusive Space; and (ii) its Pro Rata Share of RAC Common QTA Space.

Fuel System. The Intermodal RACs will design, finance, construct, operate, and maintain the Fuel System in accordance with the terms and conditions of the Participation Agreement. The Fuel System will contain a minimum of thirty-six (36) fueling stations allocated to the Intermodal RACs. The Participation Agreement will provide that: (i) the Intermodal RACs will select a consultant to design the Fuel System; (ii) approve the design of the Fuel System; (iii) approve requests for proposals for a construction manager and/or contractor to construct the Fuel System in accordance with RIAC's procurement rules and regulations; (iv) approve the selection of the construction manager and/or contractor to construct the Fuel System; (iv) and operate and maintain the Fuel System. RIAC, acting as the agent of the Intermodal RACs for this purpose, will administer the process of designing and constructing the Fuel System and will enter into the contract documents with the construction manager and/or contractor selected by the Intermodal RACs, and the Intermodal RACs will have the right to require that such construction manager and/or contractor will be liable to the Intermodal RACs for its negligent acts or omissions under the contract documents; provided, however, that:

- i. the Intermodal RACs will be responsible for determining the suitability of any construction managers and/or contractors and for negotiating the terms and conditions of the contract documents to construct the Fuel System;
- ii. RIAC disclaims any and all warranties, EXPRESS OR IMPLIED, at law or in equity, whether imposed by statute or by the common law, including without limitation, the implied warranties of merchantability and fitness for a particular purpose, and any and all liabilities or other obligations under the contract documents;
- iii. the Intermodal RACs will not assert any claim against RIAC or RIDOT and will indemnify and hold RIAC and RIDOT harmless from and against any and all claims, including without limitation, claims for defects in materials, goods, and workmanship, demands, actions, causes of action, damages, recoveries, losses, costs and expenses, including attorneys' fees and court costs, arising in any manner, directly or indirectly, from the design, financing, construction, operation, or maintenance of the Fuel System;
- iv. in no event will RIAC or RIDOT be liable for any damages, including without limitation, consequential, incidental, special, or punitive damages, or damages to persons, property, equipment, goods, profits, goodwill or reputation, arising, directly or indirectly, from the design, financing, construction, operation, or maintenance of the Fuel System.

Gross Receipts and Fees

Privilege Fee. Company shall pay to RIAC a Privilege Fee each month for the privilege of using the Intermodal Facility in the amount of ten and 00/100 (10.00%) percent of Company's Gross Receipts for each such month. The amount collected by Company for the Privilege Fee shall be held in trust for the benefit of RIAC in a separate account. The Privilege Fee shall be separately identified on Company's rental car agreements and general ledger as an "Airport Concession Fee." Company must disclose the Privilege Fee to its Chargeable Customers at the time of reservation and require that Company's Chargeable Customers be responsible for its payment. The Privilege Fee is not Facility Revenues.

Deficiency. In the event that RIAC determines, in connection with an audit of Company's books and records, that the amount paid by Company was less than the Privilege Fee required to be paid to RIAC by Company pursuant to the Agreement, as a result of Company's intentional

acts, negligence or mistake, Company shall immediately pay to RIAC the Privilege Fee Deficiency, plus interest on the Privilege Fee Deficiency at a rate equal to the lesser of one and one-half (1.5%) percent per month or the maximum interest rate permitted by applicable law, compounded monthly, from the dates such payments were due until paid in full. Additionally, if the Privilege Fee Deficiency is equal to or greater than three (3%) percent but less than five (5%) percent of the Privilege Fee required to be paid, Company shall pay the Privilege Fee Deficiency, and: (i) Company shall pay to RIAC, as a deficiency fee, an amount equal to ten (10%) percent of the Privilege Fee Deficiency; and (ii) Company shall reimburse RIAC in full for the cost of RIAC's audit. If the Privilege Fee Deficiency is equal to or greater than five (5%) percent of the Privilege Fee required to be paid, Company shall pay the Privilege Fee Deficiency, and: (i) Company shall pay to RIAC, as deficiency fee, an amount equal to twenty-five (25%) percent of the Privilege Fee Deficiency; and (ii) Company shall reimburse RIAC in full for the cost of RIAC's audit. Any deficiency fees and interest payable under the Agreement will be payable to RIAC as additional Privilege Fee for the benefit of RIAC as provided under the Agreement.

Record Keeping and Auditing

Maintenance of Financial Records. Company shall provide and maintain, in a true and accurate manner, and in accordance with GAAP, such accounts, books, records, Monthly CFC

Statements, Monthly Gross Receipts Statements, Annual CFC Statements, Annual Gross Receipts Statements, and all other data as would reasonably be expected to be examined by an independent certified public accountant in performing an audit or examination of Company's Gross Receipts and CFC collections in accordance with GAAP and generally accepted auditing standards. Such books and records shall include all individual rental car agreements originally issued at the Intermodal Facility, regardless of where a particular vehicle is returned, as well as records and receipts from such agreements, in a form consistent with good accounting practice (which may include electronic media compatible with computers available to RIAC or computer-generated paper copies) as well as a separate accounting of the CFCs and the Privilege Fees and various components of Gross Receipts and the permitted exclusions and deductions therefrom. Daily business reports will not be an acceptable substitute for the rental car agreements, general ledger or other revenue journals and/or summaries. If Company maintains separate general ledgers for tour operators, Company will also provide such general ledgers to RIAC.

Accounting. Company shall employ, on an annual basis and at Company's sole cost and expense, an independent certified public accountant who shall prepare an Annual Gross Receipts Statement and an annual CFC Statement on or before April 30th in each year for the previous calendar year.

The Annual Gross Receipts Statement shall include an audit of all business transacted by Company at the Intermodal Facility and shall be in accordance with the standards established by the American Institute of Certified Public Accountants, as in effect from time to time, and the terms of the Agreement. The Annual Gross Receipts Statement shall be filed by April 30 for the previous calendar year with RIAC and shall include the following:

- i. a schedule of all revenues by category and month, including revenues excluded from Gross Receipts;
- ii. a list of payments to RIAC;

- iii. a schedule of the Privilege Fee collected each month for RIAC;
- iv. a demonstration that the Privilege Fee has been paid in accordance with the Agreement;
- v. the procedures for the preparation of the Annual Gross Receipts Statement;
- vi. a statement that the calculation of Gross Receipts and the Privilege Fee has been in accordance with the standards established by the American Institute of Certified Public Accountants, as in effect from time to time; and
- vii. an opinion that all revenues derived from the Intermodal Facility that are required to be included in Gross Receipts have been so included and that to the best of such certified public accountant's knowledge and belief, all schedules are true, complete and accurate.

Any adjustment to the Privilege Fee due as a result of the Annual Gross Receipts Statement shall be remitted at the time of the submission of such statement, but in no event later than April 30th in each year.

The Annual CFC Statement shall include an audit of all business transacted by Company at the Intermodal Facility and shall be in accordance with the standards established by the American Institute of Certified Public Accountants, as in effect from time to time, and the terms of the Agreement. The Annual CFC Statement shall be filed by April 30th in each year for the previous calendar year with RIAC and shall include the following:

- i. a schedule of all CFCs required to be collected by month;
- ii. a list of payments to RIAC;
- iii. a demonstration that the CFCs have been paid in accordance with the Agreement;
- iv. the procedures for the preparation of the Annual CFC Statement;
- v. a statement that the calculation of CFCs has been in accordance with the standards established by the American Institute of Certified Public Accountants, as in effect from time to time; and
- vi. an opinion that all CFCs required to be collected have been so collected and that to the best of such certified public accountant's knowledge and belief, all schedules are true, complete and accurate.

Any adjustment to the CFCs paid as a result of the Annual CFC Statement shall be remitted at the time of the submission of the Annual CFC Statement, but in no event later than April 30th in each year.

Late Charge. In any case in which Company fails to provide reports, statements, records, documents, information, and/or data of any kind to RIAC required pursuant to the Agreement, Company shall pay a late charge of \$50.00 per day until such time as RIAC receives such records and/ or documents, in addition to any other specific or general remedies provided elsewhere in the Agreement. Late charges paid under the Agreement shall not be deemed to be Facility Revenues.

Lease of Space within the Intermodal Facility

Lease of CSO Area Space. RIAC leases to Company and Company rents from RIAC that certain space within the CSO Area which Company and RIAC shall specifically identify for Company's use and occupancy pursuant to the allocation terms and conditions of the Agreement.

Lease of Ready/Return Spaces.

- (a) Ready/Return Spaces and Use. RIAC leases to Company and Company rents from RIAC those certain ready/return spaces located in the Intermodal Facility which RIAC shall specifically determine for Company's use and occupancy pursuant to the allocation terms and conditions of the Agreement. Company will utilize the ready/return spaces solely for the parking of Company's rental vehicles. No signs, banners or corporate logos will be allowed in, on, or near the ready/return spaces or the Intermodal Facility without the prior written approval of RIAC.
- (b) Number of Spaces. The initial allocation will be determined nine (9) months prior to the anticipated DOO, and adjusted within ninety (90) days after the end of each Fiscal Year beginning with the first full Fiscal Year after the DOO, in accordance with the terms and conditions of the Agreement. The location of any ready/return spaces added to or subtracted from Company's allocation of ready/return spaces in the Intermodal Facility shall, to the extent practicable, be adjacent to the location of Company's existing spaces. In the event of any disagreement, RIAC will have the right to make the final decision with regard to the allocation of the total number of ready/return spaces in the Intermodal Facility and the location within the Intermodal Facility of such spaces.
- (c) Construction of Kiosk. Company may construct, at Company's expense, a customer service and securities devices kiosk in the Intermodal Facility, located within the area assigned for Company's ready/return spaces, to support its operation and maintenance of the ready/return spaces. Plans for the design and construction of such kiosk are subject to the prior written approval of RIAC. At the end of the Term, RIAC will have the option either to: (i) assume ownership of such kiosk; or (ii) require Company to remove such kiosk from the Intermodal Facility and restore the Intermodal Facility to its original condition, reasonable wear and tear excepted.

Lease of QTA Area Space. RIAC leases to Company and Company rents from RIAC, in common with the other Intermodal RACs, that certain space in the QTA Area which RIAC shall determine pursuant to the allocation terms and conditions of the Agreement.

- (a) Equipment of QTA Area. Pursuant to the terms and conditions of the Agreement, and the Participation Agreement, Company, in cooperation with the other Intermodal RACs, and at their expense, will install the equipment necessary to operate and maintain the QTA area, all in accordance with the Project Timetable.
- (b) Use of QTA Area. Company shall utilize the QTA Area solely for fueling, washing, cleaning, fluid replenishment (other than motor oil), storage of fuel, washing fluids and other fluids in storage tanks, and vacuuming as necessary for preparing Company's rental vehicles for rental. Company shall not allow the

general public or other rental car companies, other than the Intermodal RACs, to enter or use the QTA Area for any purpose. Company shall not allow employee parking or the storage of rental vehicles in the QTA Area. No signs, banners, or corporate logos shall be allowed in the QTA Area without the prior written approval of RIAC. Prior to the expiration or earlier termination of the Agreement, RIAC may inspect the QTA Area and may require Company to remediate any environmental damage to such area.

- (c) Joint Use of QTA Area. The QTA Area is a joint use facility, and Company will coordinate its activities in the QTA Area in a cooperative manner with the other Intermodal RACs so as to avoid conflicts. RIAC shall not be liable in any way to Company for any damages incurred by reason of the activities or non-cooperation of the other Intermodal RACs.

Lease of RAC Common Space. RIAC leases to Company and Company rents from RIAC, together with all other Intermodal RACs, the RAC Common Space.

RAC Rental Fee. In addition to the Privilege Fee, each year during the Term of the Agreement, in further consideration of the lease of space in the Intermodal Facility under the Agreement, Company shall pay as rental the aggregate RAC Rental Fee.

(a) RAC Exclusive Space.

- i. Maintenance. In the event that RIAC, in its sole discretion, at Company's request, assumes responsibility for the maintenance of Company's RAC Exclusive Space, Company shall pay RIAC, as additional RAC Rental Fee, any such costs and expenses. Company will also pay RIAC in the event that RIAC incurs any such costs and expenses as a result of Company's failure to maintain properly its RAC Exclusive Space.
- ii. Employee Parking. As additional RAC Rental Fee, Company will pay rent for any employee parking spaces allocated to it in accordance with the provisions of Section 8.4.2 of the Agreement, and such rent shall be deemed to be Facility Revenues.

(b) Share of Other Fees. As part of its RAC Rental Fee, Company shall also pay each year during the Term of the Agreement, an amount, subject to adjustment as herein provided, equal to the aggregate of Company's Intermodal RAC Pro Rata Share of:

- i. the sum of Nine Hundred Thousand (\$900,000) Dollars, as adjusted pursuant to the Agreement; and
- ii. the Revenue Deficiency, provided that the amount of the CFC is equal to the CFC Cap at the time; and
- iii. any unforeseeable and/or extraordinary expenses in accordance with the provisions of the Agreement; and
- iv. in the event that the Intermodal RACs exercise the option to acquire the lease for the RIDOT Commuter Spaces pursuant to the Agreement, an amount equal to the aggregate revenues from the RIDOT Commuter Spaces

for the twelve-month period immediately preceding the exercise of such option.

Tenant Improvement Fund Debt Service Share. As part of its RAC Rental Fee, Company shall also pay its share of the Tenant Improvement Fund Debt Service, as set forth in the Agreement, as Company's obligation with all Intermodal RACs in accordance with the provisions of the Agreement, and in accordance with the terms and conditions of the Participation Agreement.

- (c) Adjustment. The RAC Rental Fee (i) shall be adjusted upward on each anniversary of the DOO in an amount equal to the percentage increase, if any, of the CPI on each such anniversary over the CPI for the first day of the immediately preceding twelve-month period. In no event will the RAC Rental Fee (i) for any twelve-month period during the Term of the Agreement be less than the RAC Rental Fee (i) for the immediately preceding twelve-month period. Within six (6) months of the end of each such year, RIAC will determine the actual Facility Revenues and the actual Operating and Maintenance Costs for the Intermodal Facility during such year, and in the event that the actual Operating and Maintenance Costs for the Intermodal Facility for such year were greater than the aggregate of the Facility Revenues for such year, then RIAC will pay the amount of the Revenue Deficiency from the Operating and Maintenance Reserve Fund, and Company will reimburse the Operating and Maintenance Reserve Fund its Intermodal RAC Pro Rata Share of the amount of the Revenue Deficiency.
- (d) Unforeseeable and Extraordinary Expenses. From time to time during the Term, additional costs and expenses may be incurred which on the Effective Date were either not reasonably foreseeable, or if foreseeable, were not foreseeable in the manner and to the extent they are subsequently incurred, or as a result of an extraordinary expense or significant increase in cost, such as, by way of example, a significant increase in the cost of security due to increased staffing of security personnel or the acquisition of sophisticated electronic equipment, or a significant increase in the type or cost of appropriate insurance. Notwithstanding any other provision in the Agreement to the contrary, to the extent that there are insufficient funds in the Operating and Maintenance Reserve Fund to pay for such unforeseeable or extraordinary cost or expense, then Company will pay RIAC, as part of its RAC Rental Fee, in addition to any other charges and fees payable hereunder, its Intermodal RAC Pro Rata Share of any such deficiency.

Payment. The RAC Rental Fee shall be payable to RIAC in advance on a monthly basis, by the first day of each and every month during the Term. If Company fails to pay when due and payable the RAC Rental Fee, a \$50.00 late charge will accrue and be immediately due and payable for each day the RAC Rental Fee is past due. If the RAC Rental Fee is not paid within the time period set forth in the Agreement, an interest rate equal to the lesser of one and one-half (1.5%) percent per month or the maximum interest rate permitted under applicable law, compounded monthly, will be applied to any amounts overdue until such overdue amounts shall have been paid in full. Late charges and interest paid shall not be deemed to be Facility Revenues.

Continued Operations. Company shall have an affirmative obligation to operate its rental car business at the Intermodal Facility in the spaces leased to Company pursuant to the Agreement, which operation shall include the presence of at least one employee of Company, continuously during the period beginning one hour prior to the first scheduled flight departure at the Airport and ending one-half hour after the last scheduled flight arrival at the Airport.

Use of Space. Company shall utilize Company's CSO Area space, ready/return spaces, QTA Area space, and RAC Common Space solely for the operation of its rental car business at the Intermodal Facility. No vehicle maintenance or repair shall be permitted anywhere in the Intermodal Facility.

Maintenance.

- (a) Maintenance of RAC Exclusive Space. Except for structural repairs for which RIAC is responsible pursuant to the terms of the Agreement, Company will: (i) make all repairs, replacements and renewals of whatever nature necessary to keep its RAC Exclusive Space, and all partitions, doors, windows, glass, fixtures, HVAC, mechanical, plumbing and electrical systems, ballasts, equipment, pipes, and apparatus servicing and entirely within its RAC Exclusive Space, in good repair and safe, clean, and orderly condition, and free from dirt, rubbish and other obstructions; (ii) be responsible for its own janitorial service and trash removal; and (iii) pay its own operating and maintenance costs for its RAC Exclusive Space.
- (b) Maintenance of RAC Common QTA Space. Except for structural repairs for which RIAC is responsible pursuant to the terms of the Agreement, Company, in cooperation with the other Intermodal RACs pursuant to the terms and conditions of the Participation Agreement, will: (i) make all repairs, replacements and renewals of whatever nature necessary to keep RAC Common QTA Space, and all partitions, doors, windows, glass, fixtures, HVAC, mechanical, plumbing and electrical systems, ballasts, equipment, pipes, and apparatus servicing and entirely within RAC Common QTA Space, in good repair and safe, clean, and orderly condition, and free from dirt, rubbish and other obstructions; (ii) be responsible for RAC Common QTA Space janitorial service and trash removal; and (iii) pay its Pro Rata Share for such RAC Common QTA Space maintenance costs.
- (c) RIAC's Right to Cure. Company will at no time and under no circumstances occupy or clutter with supplies, equipment or other material any area within the Intermodal Facility or the Airport Terminal, nor allow any debris or litter to accumulate in the Intermodal Facility or the Airport Terminal. In the event that Company shall fail to maintain its RAC Exclusive Space or otherwise fails to comply with the provisions of the Agreement, RIAC may, but shall not be obligated to, perform proper maintenance on Company's behalf, and Company will forthwith reimburse RIAC the costs incurred by RIAC for any such maintenance as additional rent thereunder.
- (d) Structural Maintenance. RIAC shall be responsible for the structural maintenance, including maintenance of floors, ceilings and columns, of the Intermodal Facility and snow removal at the Intermodal Facility.

Utilities. Company shall provide, construct, and pay punctually for: (i) the total cost of all utilities, including electricity, gas, water, telephone, and other utilities servicing its RAC

Exclusive Space, to the extent such utilities are separately metered; and (ii) its Intermodal RAC Pro Rata Share of the total cost of all utilities, including electricity, gas, water, telephone, and other utilities servicing its RAC Exclusive Space to the extent such utilities are not separately metered, and the QTA Area, ready/return area, and RAC Common Space, on an equitable basis, as determined by RIAC. RIAC shall not be liable for any delay, interruption of, or failure to supply any utilities in or to the Intermodal Facility.

Tenant's Construction.

- (a) Alterations. From time to time, Company will have the right to make decorative and cosmetic repairs and/or alterations to its RAC Exclusive Space at its own expense without RIAC's consent. All repairs and/or alterations will be made in a good, first-class and workmanlike manner and in accordance with all applicable statutes, ordinances, building and fire safety codes, and rules and regulations of any federal, state, or local authority. Company shall not make any structural or other alterations, including alterations of mechanical systems or partitions or walls, without RIAC's prior written consent of detailed plans and specifications.
- (b) Mechanics Liens. Company will not permit any mechanics lien against the Intermodal Facility in connection with any materials, labor, or equipment furnished to or for Company.

Assignment. Company will not assign its lease or sublet or reallocate or cause to be reallocated its lease or all or any part of its RAC Exclusive Space under the Agreement without the prior written consent of RIAC, such consent to be at RIAC's sole discretion.

Cessation at Discretion of RIAC. Company shall alter, curtail, relocate or temporarily, permanently, or immediately cease its use of any of the RAC Facilities upon notice from RIAC when such notice is, in RIAC's sole discretion, necessary for the repair, renovation, care or improvement of the Intermodal Facility or the Airport or the safety or convenience of the public. In the event of any emergency condition affecting the Intermodal Facility or the Airport, as determined by RIAC, in its sole discretion, or any condition jeopardizing or affecting the safety or convenience of the public, RIAC shall have the right, without prior notification to Company, to immediately enter the CSO Area or other part of the RAC Facilities and remedy or cure any condition, act, or situation which, in RIAC's sole discretion, contributes to, or is responsible for, such emergency condition or threat to the public safety.

Rules and Regulations. Company and its employees and agents, at their sole cost and expense, shall be bound by, and shall be subject to, the rules, regulations, policies, procedures, and standards promulgated and to be promulgated by RIAC from time to time for the governance and operation of the Intermodal Facility and the Airport as reasonably may be required, including but not limited to, RIAC's "Tenant Standards Manual" and "Terminal Policies and Procedures."

National Emergency. During time of war or national emergency, RIAC shall have the right to lease the Intermodal Facility and the Airport or any part thereof, including Company's RAC Exclusive Space, to the federal government for military use and, if such a lease is executed, the provisions of the Agreement, insofar as they are inconsistent with the provisions of the lease to the federal government, shall be subordinate to such lease.

Security. Company shall be required during the term of the Agreement, at its sole cost and expense, to: (i) comply with any and all applicable federal, state, and municipal rules and regulations relating to the security and safety of all Company employees and agents, Airport passengers, RIAC personnel and all other persons, including any regulations promulgated by the Transportation Security Agency; and (ii) take such other security precautions with respect to its operations at the Intermodal Facility as RIAC, in its sole discretion, might from time to time require.

Compliance with Other Laws.

Present and Future Laws. During the Term of the Agreement, Company, at its sole cost and expense, shall occupy and conduct its business in the Intermodal Facility in compliance with all present and future laws, ordinances, orders, rules, regulations and requirements of all federal, state and municipal government authorities, and all rules and regulations of RIAC or its managing agent applicable to Intermodal Facility and Airport tenants now existing or hereafter arising, which may be applicable to the Intermodal Facility and the Airport and Company's use thereof, whether or not such law, ordinance, order, rule, regulation or requirement will necessitate structural changes or improvements. Company shall likewise comply with the requirements of all policies of insurance at any time in force with respect to the Intermodal Airport and Company's operations thereon.

Environmental Laws.

- a) Compliance with Environmental Law. Company will not cause or permit the storage, use, or disposal, of any Hazardous Materials, pollutants or contaminants on or in the Intermodal Facility or adjacent property or at the Airport, except in compliance with all applicable Environmental Laws and in quantities necessary to the operation and maintenance of the RAC Facilities. Company shall not do anything affecting the Intermodal Facility that is in violation of any Environmental Law.
- b) Environmental Indemnification. During the Term of the Agreement, Company, at its sole cost and expense, shall indemnify, defend (at trial and appellate levels and with attorneys, consultants and experts acceptable to RIAC) and hold RIAC harmless against and from any and all liens, damages, losses, liabilities, obligations, settlement payments, penalties, assessments, citations, directives, claims, litigation, demands, defenses, judgments, suits, proceedings, costs, disbursements or expenses of any kind or of any nature whatsoever (including attorneys', consultants' and experts' fees and disbursements incurred in investigation, defending against, settling or prosecuting any claim, litigation or proceeding) which may at any time be imposed upon, incurred by or asserted or awarded against RIAC or the Intermodal Facility, and arising directly or indirectly after the Effective Date from or out of:
 - i) the Release or Threat of Release of any Hazardous Materials on, in, under or affecting all or any portion of the Intermodal Facility or any surrounding areas, caused directly or indirectly by Company; or
 - ii) the violation of any Environmental Laws relating to or affecting the Intermodal Facility caused directly or indirectly by Company; or

- iii) the enforcement of the Agreement, including: (a) the costs of assessment, containment and/or removal of any and all Hazardous Materials from all or any portion of the Intermodal Facility or any surrounding areas; (b) the costs of any actions taken in response to a Release or Threat of Release of any Hazardous Materials on, in, under or affecting all or any portion of the Intermodal Facility or any surrounding areas to prevent or minimize such Release or Threat of Release so that it does not migrate or otherwise cause or threaten danger to present or future public health, safety, welfare or the environment; and (iii) costs incurred to comply with the Environmental Laws in connection with all or any portion of the Intermodal Facility or any surrounding areas.

General Indemnification

Indemnification by Company. Company will defend, indemnify, and hold RIAC harmless from and against any and all loss, costs, claims, demands, actions, causes of action, awards, penalties, damages or liabilities, of every kind and character, whether in law or in equity, including attorneys' fees and court costs, whether by reason of death, injury, or damage to any person or persons or damage or destruction of property or loss of use thereof, arising out of or otherwise caused by, directly or indirectly: (i) any failure by Company to perform its obligations in accordance with the terms and conditions of the Agreement; (ii) any other breach by Company of the terms and conditions of the Agreement; or (iii) the acts or omissions of Company, or any of its officers, directors, employees, agents, suppliers, business visitors, customers, or guests, in, on or about the Intermodal Facility or the Airport or in connection with Company's rental car operations at the Intermodal Facility. Company shall give RIAC prompt and timely notice of any claim made or proceeding instituted which in any way, directly or indirectly, contingently or otherwise, affects or might affect RIAC, and RIAC shall have the right to control, at Company's expense, the defense of such claim or proceeding to the extent of RIAC's own interests. Company's indemnity and defense obligations under the Agreement will survive the expiration or sooner termination of the Term.

No Liability. RIAC shall not be liable to Company for any loss, injury, or damage which may happen to the property of Company, or of Company's employees, agents, suppliers, business visitors, guests, or of persons claiming under Company, while in or about the Intermodal Facility unless directly caused by the intentional or negligent act or omission of RIAC, its employees or agents.

Insurance

Maintenance of Insurance. Subject to Company's right to self-insure pursuant to applicable Rhode Island law, during the Term of the Agreement, Company shall provide, pay for, and maintain with companies satisfactory to RIAC, the types of insurance described and set forth in the Agreement. All liability policies shall provide that RIAC is an additional insured as to the operations of Company under the Agreement and shall also provide the Severability of Interest Provision.

Default

Events of Default. The occurrence of any of the following on the part of Company shall constitute an Event of Default:

- i. failure to pay within ten (10) days of when due the whole or any part of any RAC Rental Fee, the Privilege Fee, the CFCs, insurance premiums, utilities, or other charges or payments required of Company under the Agreement;
- ii. any material misstatement or material omission of fact in any written report, notice or communication from Company to RIAC with respect to Company or the Intermodal Facility;
- iii. the failure by Company, in general, to pay its debts as such debts become due, or the admission in writing of its inability to pay its debts generally, or an assignment of all or substantially all of its property and/or
- iv. receivables for the benefit of creditors;
- v. the appointment of a receiver, trustee, or liquidator for Company or any of the property of Company, if within ten (10) days of such appointment Company does not inform RIAC in writing that Company intends to cause such appointment to be discharged, and Company does not thereafter discharge such appointment within sixty (60) days after the date of such appointment;
- vi. the filing by Company of a voluntary petition or the filing by any other party of an involuntary petition for Company under any federal bankruptcy law or under the law of any state to be adjudicated as bankrupt or for any arrangement or other debtor's relief, which shall continue in effect and unstayed for a period of sixty (60) days; the abandonment or vacancy of the Intermodal Facility or any portion of the RAC Facilities by Company for more than ten (10) days or the cessation of Company's operations at the Intermodal Facility;
- vii. the failure by Company to complete any construction required of Company under the Agreement and to commence rental car operations by the DOO;
- viii. the commission of a fifth offense under the Agreement; or
- ix. the failure by Company to perform or comply with any other covenant, term or provision of the Agreement not requiring the payment of money; provided, however, in the event any such default is curable, such default shall be deemed cured, if: (a) within five (5) days of receipt of a notice of default from RIAC, Company gives RIAC notice of its intent to cure such default; and (b) Company cures such default within thirty (30) days after such notice from RIAC, unless such default cannot with all due diligence be cured within a period of thirty (30) days because of the nature of the default or delays are beyond the control of such party, and cure after such thirty (30) day period will not have a material and adverse effect upon the Intermodal Facility or the Airport, in which case such default shall not constitute an Event of Default if Company uses its best efforts to cure such default by promptly commencing and diligently pursuing such cure to the completion thereof, provided, however, no cure period for such default shall continue for more than sixty (60) days from receipt of a notice of default from RIAC.

Remedies. Upon the occurrence of an Event of Default, RIAC, at its option, may terminate the Agreement upon notice to Company, and in addition to such termination, RIAC may exercise all rights and remedies under the Agreement and all rights and remedies available under applicable federal, state, and local law, as well as any and all rights and remedies available in equity.

Without limiting the exercise of any such remedies, RIAC will have the right, but not the obligation, to do any of the following:

- i. sue for the specific performance of any covenant of Company under the Agreement as to which Company is in breach;
- ii. RIAC may enter upon the RAC Facilities, terminate the Agreement, dispossess Company from the RAC Facilities, and/or collect money damages by reason of Company's breach; and
- iii. RIAC shall have the right to relet any portion of the RAC Facilities leased to Company to such tenant or tenants, for such term or terms, for such rent, or such conditions, and for such uses, as RIAC in the exercise of its discretion, may determine.

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Appendix D – Form of Opinion of Bond Counsel

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APPENDIX D
PROPOSED FORM OF BOND COUNSEL OPINION

Mack Law Associates LLC
50 South Main Street
Providence, Rhode Island 02903

Date of Delivery

Rhode Island Commerce Corporation
315 Iron Horse Way, Suite 101
Providence, Rhode Island 02908

Re: Rhode Island Commerce Corporation First Lien Special Facility Revenue Refunding Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2018 (Non-AMT)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Rhode Island Commerce Corporation (the "Corporation") of its \$[] First Lien Special Facility Revenue Refunding Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2018 (Non-AMT) dated February [], 2018 (the "2018 First Lien Refunding Bonds"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The 2018 First Lien Refunding Bonds are issued pursuant to the Rhode Island Commerce Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"), an Indenture of Trust dated as of June 1, 2006 among the Corporation, the Rhode Island Airport Corporation, a public corporation organized as a subsidiary of the Corporation ("RIAC"), and The Bank of New York Mellon Trust Company, N.A., as trustee, (the "Trustee") (the "Indenture of Trust") and a Second Supplemental Indenture of Trust dated as of February [], 2018 by and among the Corporation, RIAC, and The Bank of New York Mellon Trust Company, as Trustee (the "Second Supplemental Indenture"). The Indenture of Trust as so supplemented is referred to herein as the "Indenture". The proceeds of the 2018 First Lien Refunding Bonds will be loaned by the Corporation to RIAC pursuant to a Loan Agreement between the Corporation and RIAC dated as of February [], 2018 (the "Loan Agreement"). Under the Loan Agreement, RIAC has agreed to make payments to be used to pay when due the Principal Amount of, Redemption Premium, if any, and Interest on the 2018 First Lien Refunding Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Corporation and RIAC contained in the Indenture, the Loan Agreement, the Tax Regulatory Agreement, the certified proceedings and other certifications of public officials

furnished to us, and certifications furnished to us by or on behalf of the Corporation and RIAC, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of opinion that, under existing law:

1. The Corporation is duly created and validly existing as a public body corporate and agency of the State of Rhode Island and Providence Plantations (the "State") with the corporate power to enter into and perform the obligations under the Loan Agreement and the Indenture and to issue the 2018 First Lien Refunding Bonds.

2. The Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Corporation and are valid, legally binding, special and limited obligations of the Corporation enforceable against the Corporation in accordance with their respective terms.

3. The Indenture creates a valid lien on the Net Facility Revenues for the security of the 2018 First Lien Refunding Bonds on a parity with other bonds issued or to be issued under the Indenture as First Lien Obligations.

4. The 2018 First Lien Refunding Bonds have been duly authorized, executed and delivered by the Corporation and are valid, legally binding special and limited obligations of the Corporation payable as described in the Indenture.

5. The interest on the 2018 First Lien Refunding Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Code and such interest is not treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed under the Code on individuals and corporations. We express no opinion as to whether interest on any portion of the 2018 First Lien Refunding Bonds is excluded from the adjusted current earnings of corporations for purposes of computing the alternative minimum tax imposed on corporations, although we observe that it is included in adjusted current earnings in calculating corporate minimum taxable income for taxable years that began prior to January 1, 2018.

6. The 2018 First Lien Refunding Bonds and the interest thereon are free from Rhode Island taxes, except for estate, inheritance and gift taxes, although the 2018 First Lien Refunding Bonds, and the interest thereon, may be included in the measure of certain Rhode Island business and corporate taxes. We express no opinion as to other state or local tax consequences arising with respect to the 2018 First Lien Refunding Bonds nor as to the taxability of the 2018 First Lien Refunding Bonds or the income therefrom under the laws of any state other than the state of Rhode Island.

The opinions set forth in paragraphs 5 and 6 are subject to the condition that the Corporation, RIAC and the State of Rhode Island comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2018 First Lien Refunding Bonds in

order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including, but not limited to, those provisions relating to the use, expenditure and investment of the proceeds of the 2018 First Lien Refunding Bonds and certain other amounts and to the making of payments to the United States. The Corporation and RIAC have covenanted to comply with each such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2018 First Lien Refunding Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2018 First Lien Refunding Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2018 First Lien Refunding Bonds.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary or Final Official Statement or other offering material relating to the 2018 First Lien Refunding Bonds and we express no opinion relating thereto in this opinion, however, we do make reference to our Supplemental Opinion of even date herewith.

It is to be understood that the rights of the Holders of the 2018 First Lien Refunding Bonds and the enforceability of the 2018 First Lien Refunding Bonds, the Indenture, and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur.

Very truly yours,

Mack Law Associates LLC

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Appendix E – Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Rhode Island Airport Corporation ("RIAC"), a public corporation organized as a subsidiary of the Rhode Island Commerce Corporation, formerly known as the Rhode Island Economic Development Corporation (the "Corporation"), for itself and on behalf of the Corporation, and The Bank of New York Mellon Trust Company, N.A. (the "Dissemination Agent"), in connection with the issuance of the \$39,185,000 Rhode Island Commerce Corporation First Lien Special Facility Revenue Refunding Bonds (Rhode Island Airport Corporation Revenue Refunding Bonds) Series 2018 (Non-AMT) (the "2018 First Lien Refunding Bonds" or "Bonds"). The Bonds are being issued pursuant to a Indenture of Trust dated as of June 1, 2006, by and among RIAC, the Corporation and The Bank of New York Mellon Trust Company, N.A., as Trustee, as amended and supplemented, including by a Second Supplemental Indenture dated February 28, 2018 (collectively, the "Indenture"). The proceeds of the Bonds are being loaned by the Corporation to RIAC pursuant to the Loan Agreement dated February 28, 2018 (the "Loan Agreement"). RIAC, the Corporation and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by RIAC and the Dissemination Agent for the benefit of the Bondowners (defined below) and in order to assist the Participating Underwriter (defined below) in complying with the Rule (defined below). RIAC and the Dissemination Agent acknowledge that the Corporation has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. (A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Rule, as amended and supplemented from time to time. Notwithstanding the foregoing, the term "Dissemination Agent" shall originally mean the Bank of New York Mellon Trust Company N.A.; any such successor dissemination agent shall automatically succeed to the rights and duties of the Dissemination Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

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

"Bondowner" shall mean the registered owner of a Bond and any beneficial owner thereof.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by RIAC and which has filed with RIAC and the

Trustee written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. In the absence of a third-party Dissemination Agent, RIAC shall serve as Dissemination Agent.

"Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Dissemination Agent, or another method or system specified by the Dissemination Agent as available for use in connection with its services hereunder.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

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

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

"SEC" means the United States Securities and Exchange Commission.

(B) This Disclosure Agreement applies to the Bonds.

(C) The Dissemination Agent shall have no obligation to make disclosure about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with RIAC, apart from the relationship created by the Rule shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the RIAC.

SECTION 3. Provision of Annual Reports:

(a) RIAC shall, or shall cause the Dissemination Agent to, not later than one hundred twenty (120) days after the end of RIAC's fiscal year, commencing with the fiscal year ending June 30, 2018, provide to MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business

Days prior to said one hundred twentieth (120th) day, RIAC shall provide the Annual Report to the Dissemination Agent. RIAC shall submit the audited financial statements to the Dissemination Agent as soon as practicable after they become available. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of RIAC may be submitted separately from and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If RIAC submitted its audited financial statements at a later date, it shall provide unaudited financial statements by the above specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available.

(b) If by fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact RIAC to determine if RIAC is in compliance with subsection.

(c) If the Dissemination Agent is unable to verify from RIAC that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent on behalf of RIAC shall send a notice of such failure to file the Annual Report by the date required in subsection (a) to MSRB in the form of Exhibit A attached hereto.

(d) The Dissemination Agent shall file a report with RIAC, the Trustee and the Corporation certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided (the "Compliance Certificate"); such report shall include a certificate from RIAC that the Annual Report complies with the requirements of this Disclosure Agreement.

(e) RIAC will provide a copy of all reports required hereunder to the Trustee.

SECTION 4. Content of Annual Reports. RIAC's Annual Report shall contain or incorporate by reference the following financial information and operating data relating to RIAC updating the information of the type provided in the following tables contained in the Official Statement dated February 15, 2018 pertaining to the Bonds, and in each case substantially in the same level of detail in the referenced sections of the Official Statement:

- (a) Historical Enplanement Data;
- (b) Historical Customer Facility Charge (CFC) Collections;
- (c) Historical Interlink Facility Revenues;
- (d) Interlink Facility Operating & Maintenance Costs; and
- (e) Rental Car Company CFC Revenues

RIAC agrees that the financial statements provided pursuant to Section 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting

principles, as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including the official statements of debt issues of RIAC, which have been submitted to the MSRB. If the document incorporated by reference is a final official statement, it must be available from the MSRB. RIAC shall clearly identify each such other document so incorporated by reference. Neither the Trustee nor the Dissemination Agent shall be under any obligation to verify the content or correctness of, and shall not be responsible for the sufficiency of, the Annual Report for compliance with the Rule or with this Disclosure Agreement.

SECTION 5. Reporting of Significant Event. This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. tender offers;
13. bankruptcy, insolvency, receivership or similar event of RIAC;¹
14. the consummation of a merger, consolidation, or acquisition of RIAC or the sale of all or substantially all of the assets of RIAC, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or

15. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

Whenever RIAC obtains knowledge of the occurrence of a Listed Event, RIAC shall, in a timely manner, but not in excess of ten (10) business days after the occurrence thereof, file or cause the Dissemination Agent to file a notice of such occurrence with the MSRB. RIAC shall provide a copy of each such notice to the Trustee. The Dissemination Agent, if other than RIAC, shall have no duty to file a notice of a Listed Event described hereunder unless it is directed to do so by RIAC, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

SECTION 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

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

The purpose of RIAC's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of Bonds, the SEC or any other person, other than as specifically provided in this Disclosure Agreement.

SECTION 8. Dissemination Agent. This Disclosure Agreement governs RIAC's direction to the Dissemination Agent, with respect to information to be made public. In its actions under this Disclosure Agreement, the Dissemination Agent is acting as RIAC's agent. In addition to any and all rights of the Dissemination Agent to indemnification and other rights pursuant to the Rule or under law or equity, RIAC shall indemnify and hold harmless the

¹ For purposes of the event identified in Section 5(13) above, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for RIAC in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of RIAC, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of RIAC.

Dissemination Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Dissemination Agent's performance under this Disclosure Agreement; provided that RIAC shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of RIAC under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Corporation, RIAC, the Bondholder or any other party. RIAC may, from time to time, with written notice to the Trustee appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge with notice to the Trustee any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than RIAC) may resign upon thirty (30) days' written notice to RIAC, the Corporation and the Trustee.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, RIAC and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by RIAC provided that the Dissemination Agent may but shall not be required to agree to any amendment that affects the Dissemination Agent's rights, duties or immunities hereunder) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both RIAC and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, RIAC and the Dissemination Agent may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of RIAC or of the type of business conducted by RIAC; (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c)(i) the Dissemination Agent receives an opinion of counsel expert in federal securities laws and acceptable and addressed to the Dissemination Agent to the effect that, the amendment does not materially impair the interest of the Bondowners, or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the Indenture pursuant to the Indenture. The annual financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment is made to an undertaking specifying the accounting principles to be followed in preparing the financial statements, the annual financial information for the year in which the change is made should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Neither the Dissemination Agent nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent RIAC from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or

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

SECTION 11. Default. In the event of a failure of RIAC or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent, at the request of any Participating Underwriter or Bondowners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause RIAC or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause RIAC or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of RIAC or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. In no event shall RIAC or the Dissemination Agent be liable for actual or consequential monetary damages in the event of a default under this Disclosure Agreement.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if other than RIAC), shall have only such duties as are specifically set forth in this Disclosure Agreement. In addition to any and all rights of the Dissemination Agent to reimbursement, indemnification and other rights pursuant to the Rule or under law or equity, RIAC hereby agrees to indemnify and hold the Dissemination Agent, its directors, or officers, employees and agents (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket, incidental expenses, legal fees and expenses ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of the Disclosure Agreement. These provisions shall survive the payment of the Bonds. Anything in the Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of RIAC, the Trustee, the Dissemination Agent, the Participating Underwriter, and the Bondowners or beneficial owners of the Bonds from time to time, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of RIAC under this Disclosure Agreement shall obligate RIAC to file any information regarding matters other than those specifically described in Section 3 and Section 4 hereof, nor shall any such filing constitute a representation by RIAC or raise any inference that no other material events have occurred with respect to RIAC or the Bonds or that all material information regarding RIAC or the Bonds has been disclosed. RIAC shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 15. Reserved.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Governing Law. This Disclosure Agreement shall be governed by the internal laws of the State of Rhode Island and Providence Plantations.

SECTION 18. Notices. Unless otherwise expressly provided, all notices to RIAC, the Trustee and the Dissemination Agent shall be in writing and be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or Electronic Means (as defined herein), or delivered during business hours to such parties at the address specified in the Indenture or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

The Dissemination Agent shall have the right to accept and act upon instructions ("Instructions") given pursuant to this Disclosure Agreement and delivered using Electronic Means; provided, however, that the RIAC and/or the Corporation, as applicable, shall provide to the Dissemination Agent an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the RIAC and/or the Corporation, as applicable, whenever a person is to be added or deleted from the listing. If the RIAC and/or the Corporation, as applicable, elects to give the Dissemination Agent Instructions using Electronic Means and the Dissemination Agent in its discretion elects to act upon such Instructions, the Dissemination Agent's understanding of such Instructions shall be deemed controlling. The RIAC and the Corporation understand and agree that the Dissemination Agent cannot determine the identity of the actual sender of such Instructions and that the Dissemination Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Dissemination Agent have been sent by such Authorized Officer. The RIAC and the Corporation shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Dissemination Agent and that the RIAC, the Corporation and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the RIAC and/or the Corporation, as applicable. The Dissemination Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Dissemination Agent's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The RIAC and the

Corporation agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Dissemination Agent, including without limitation the risk of the Dissemination Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Dissemination Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the RIAC and/or the Corporation, as applicable; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Dissemination Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

Date: February 28, 2018

RHODE ISLAND AIRPORT CORPORATION

By: _____
Authorized Officer

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as
Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Rhode Island Commerce Corporation

Name of Bond Issue: \$39,185,000 Rhode Island Commerce Corporation First Lien Special Facility Revenue Refunding Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2018 (Non-AMT)

Name of Institution: Rhode Island Airport Corporation

Date of Issuance: February 28, 2018

NOTICE IS HEREBY GIVEN that Rhode Island Airport Corporation (the "RIAC") has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated February 28, 2018 between RIAC and The Bank of New York Mellon Trust Company, N.A., as Dissemination Agent.

Dated: _____

The Bank of New York Mellon Trust
Company, N.A, as Dissemination Agent

By: _____
Name: _____
Title: _____



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