

**NEW ISSUE — BOOK-ENTRY-ONLY****Ratings: See “RATINGS” herein.**

*In the opinion of Bond Counsel, under existing law and subject to the conditions described herein, interest on the 2006 First Lien Bonds (i) is excluded from gross income for federal income tax purposes, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations. In the opinion of Bond Counsel, except for estate, inheritance and gift taxes, the 2006 First Lien Bonds and income therefrom (including gain on sale or exchange) are exempt from Rhode Island taxes, although such bonds and the interest thereon may be included in the measure of certain Rhode Island business and corporate taxes. See “Tax Matters” herein.*

**\$48,765,000**

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
FIRST LIEN SPECIAL FACILITY REVENUE BONDS  
(RHODE ISLAND AIRPORT CORPORATION INTERMODAL FACILITY PROJECT)  
SERIES 2006**

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

The captioned securities (the “2006 First Lien Bonds”) will be issued as fully-registered obligations by the Rhode Island Economic Development Corporation (the “EDC”) in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The EDC is issuing the 2006 First Lien Bonds pursuant to the Indenture of Trust dated as of June 1, 2006 (the “Indenture”), by and among the EDC, the Rhode Island Airport Corporation (“RIAC”) and The Bank of New York Trust Company, N.A., as trustee and paying agent for the 2006 First Lien Bonds (the “Trustee”). The proceeds of the 2006 First Lien Bonds will be loaned by the EDC to RIAC pursuant to the EDC Loan Agreement (as defined herein) and will be used, together with certain other funds described herein, including, but not limited to, the proceeds of the 2006 TIFIA Bond (as defined herein) to (i) finance Project Costs (as defined herein) of the Intermodal Facility and (ii) fund the First Lien Debt Service Reserve Fund Requirement (as defined herein). The Intermodal Facility is a transportation facility to be designed and constructed by RIAC and the Rhode Island Department of Transportation at or adjacent to the T.F. Green State Airport (the “Airport”) for train, bus, commuter, and rental car access to and egress from the Airport and which will include a train station and platforms, a bus pick-up and drop-off area, commuter parking spaces, a skywalk system, and exclusive and common parking, storage, retail and operating space for rental car companies.

Interest on the 2006 First Lien Bonds will be payable on January 1 and July 1 of each year commencing January 1, 2007. Interest accruing on the 2006 First Lien Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The 2006 First Lien Bonds will be registered in the nominee name of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2006 First Lien Bonds pursuant to the Book-Entry-Only System described herein. No physical delivery of the 2006 First Lien Bonds will be made to the purchasers. Principal of, premium, if any, and interest on the 2006 First Lien Bonds will be payable by the Trustee to DTC, which will make distribution of the amounts so paid to the beneficial owners thereof. See “THE 2006 FIRST LIEN BONDS – Book-Entry-Only System” herein.

The 2006 First Lien Bonds and any Additional First Lien Obligations (as defined herein) constitute special, limited obligations of the EDC secured by and payable solely from a first lien on, pledge of, and security interest in the Trust Estate consisting of (i) Facility Revenues (as defined herein); (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; (iv) and the EDC’s right, title and interest to receive loan payments from RIAC under the EDC Loan Agreement. See “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.” The obligations of RIAC under the EDC Loan Agreement are special, limited obligations of RIAC and do not constitute a general obligation of RIAC.

Certain of the 2006 First Lien Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as described herein. See “THE 2006 FIRST LIEN BONDS – Redemption.”

The payment of the principal of and interest on the 2006 First Lien Bonds when due will be insured by a financial guaranty insurance policy to be issued by CIFG Assurance North America, Inc.



simultaneously with the delivery of the 2006 First Lien Bonds.

This cover page contains information for quick reference only. It is not a summary of the 2006 First Lien Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision. Investment in the 2006 First Lien Bonds is subject to certain investment considerations. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein.

**THE 2006 FIRST LIEN 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 EDC) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2006 FIRST LIEN BONDS OR THE INTEREST OR PREMIUM, IF ANY, THEREON. THE EDC HAS NO TAXING POWER.**

*The 2006 First Lien Bonds are offered for delivery when, as, and if issued and received by the Underwriters, subject to the approval of legality by Burns & Levinson LLP, Providence, Rhode Island, Bond Counsel. Certain legal matters will be passed upon for the EDC by its counsel, Adler Pollock & Sheehan P.C., Providence, Rhode Island; for RIAC by its counsel, Tillinghast Licht LLP, Providence, Rhode Island and for the Underwriter by its counsel, Moses Afonso Jackvony, Ltd., Providence, Rhode Island. It is expected that the 2006 First Lien Bonds will be available for delivery through DTC in New York, New York on or about June 28, 2006.*

**BEAR, STEARNS & CO. INC.**

**CAROLAN & CO.  
a Division of Oppenheimer & Co., Inc.**

Dated: June 14, 2006

**\$48,765,000**  
**Rhode Island Economic Development Corporation**  
**First Lien Special Facility Revenue Bonds**  
**(Rhode Island Airport Corporation Intermodal Facility Project )**  
**Series 2006**

<u>July 1</u> <u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Cusip No.<sup>(1)</sup></u>
2011	\$ 570,000	4.00%	3.83%	762237AA3
2012	625,000	5.00	3.93	762237AB1
2013	700,000	4.00	4.03	762237AC9
2014	760,000	5.00	4.10	762237AD7
2015	845,000	5.00	4.16	762237AE5
2016	920,000	5.00	4.21	762237AF2
2017	1,005,000	4.25	4.28	762237AG0
2018	1,090,000	5.00	4.35C	762237AH8
2019	1,190,000	5.00	4.39C	762237AJ4
2020	1,285,000	5.00	4.43C	762237AK1
2021	1,390,000	5.00	4.46C	762237AL9
2022	1,505,000	5.00	4.49C	762237AM7
2023	1,625,000	5.00	4.50C	762237AN5
2024	1,745,000	5.00	4.51C	762237AP0
2025	1,875,000	5.00	4.52C	762237AQ8
2026	2,020,000	5.00	4.53C	762237AR6

\$12,430,000 5.00% Term Bonds due July 1, 2031 yield 4.64% CUSIP No. 762237AS4

\$17,185,000 5.00% Term Bonds due July 1, 2036 yield 4.67% CUSIP No. 762237AT2

(1) CUSIP numbers have been assigned to this issue by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. and are included solely for the convenience of the owners of the 2006 First Lien Bonds. Neither the EDC nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

C indicates priced to the par call date of July 1, 2016

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Robert I. Stolzman, Esq., Secretary

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### **AIRPORT OFFICIALS**

Mark P. Brewer, A.A.E., President and CEO

Brian C. Schattle, CPA, Chief Financial Officer

Peter A. Frazier, Esq., Chief Legal Counsel

Jason F. Doyle, CPA, Controller

### **Bond Counsel**

Burns & Levinson LLP

Providence, Rhode Island

### **EDC Counsel**

Adler Pollock & Sheehan P.C.

Providence, Rhode Island

### **Airport Consultant to RIAC**

Ricondo & Associates, Inc.

Cincinnati, Ohio

### **Financial Advisor to RIAC**

Fullerton & Friar, Inc.

Largo, Florida

### **Financial Advisor to EDC**

First Southwest Company

Lincoln, Rhode Island

### **RIAC Counsel**

Tillinghast Licht LLP

Providence, Rhode Island

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CUSIP NUMBERS HAVE BEEN ASSIGNED TO THIS ISSUE BY STANDARD & POOR'S CUSIP SERVICE BUREAU FOR THE CONVENIENCE OF THE OWNERS OF THE 2006 FIRST LIEN BONDS. NEITHER THE EDC NOR THE UNDERWRITER SHALL BE RESPONSIBLE FOR THE SELECTION OR THE CORRECTNESS OF THE CUSIP NUMBERS.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION WILL NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE 2006 FIRST LIEN BONDS DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE TRUSTEE ASSUMES NO RESPONSIBILITY FOR THIS OFFICIAL STATEMENT AND HAS NOT REVIEWED OR UNDERTAKEN TO VERIFY ANY INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT. THE EDC MAKES NO REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR UNDER THE CAPTION "BOND INSURANCE" REGARDING CIFG ASSURANCE NORTH AMERICA, INC. ("INSURER"), AS SUCH INFORMATION WAS FURNISHED BY DTC AND INSURER, RESPECTIVELY.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

**THE PRICE AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE 2006 FIRST LIEN BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH 2006 FIRST LIEN BONDS ARE RELEASED FOR SALE AND SUCH 2006 FIRST LIEN BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH 2006 FIRST LIEN BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE 2006 FIRST LIEN BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006 FIRST LIEN BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

NO REGISTRATION STATEMENT RELATING TO THE 2006 FIRST LIEN BONDS HAS BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION PROVIDED THEREUNDER. THE 2006 FIRST LIEN BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTION. THE EDC ASSUMES NO RESPONSIBILITY FOR THE REGISTRATION OR QUALIFICATION FOR SALE OR OTHER DISPOSITION OF THE 2006 FIRST LIEN BONDS UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE 2006 FIRST LIEN BONDS MAY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED. THIS DISCLAIMER OF RESPONSIBILITY FOR REGISTRATION OR QUALIFICATION FOR SALE OR OTHER DISPOSITION OF THE 2006 FIRST LIEN BONDS SHALL NOT BE CONSTRUED AS AN INTERPRETATION OF ANY KIND WITH REGARD TO THE AVAILABILITY OF ANY EXEMPTION FROM SECURITIES REGISTRATION OR QUALIFICATION PROVISIONS.

**IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE 2006 FIRST LIEN BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

THE STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT, AND IN OTHER INFORMATION PROVIDED BY THE EDC OR RIAC, THAT ARE NOT PURELY HISTORICAL, ARE FORWARD-LOOKING STATEMENTS, INCLUDING STATEMENTS REGARDING THE EDC'S OR RIAC'S EXPECTATIONS, HOPES, INTENTIONS OR STRATEGIES REGARDING THE FUTURE AND THE PROJECTIONS IN THE RICONDO & ASSOCIATES, INC. REPORT OF AIRPORT CONSULTANT. ALL FORWARD-LOOKING STATEMENTS INCLUDED IN THIS OFFICIAL STATEMENT ARE BASED ON INFORMATION AVAILABLE TO THE EDC OR RIAC ON THE DATE HEREOF, AND NEITHER THE EDC NOR RIAC ASSUMES ANY OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS. SEE "FORWARD-LOOKING STATEMENTS."

## TABLE OF CONTENTS

	Page		Page
OFFICIAL STATEMENT.....	1	THE AIRPORT.....	24
INTRODUCTION.....	1	The Air Trade Area.....	24
SOURCES AND USES OF FUNDS FOR THE 2006		Airport Facilities.....	25
FIRST LIEN BONDS.....	3	Historical Enplanement Data.....	26
THE 2006 FIRST LIEN BONDS.....	3	The State Lease Agreement.....	27
General.....	3	THE INTERMODAL FACILITY.....	28
Redemption.....	3	Description of the Intermodal Facility.....	28
Trustee.....	5	PLAN OF FINANCE FOR THE INTERMODAL	
Book-Entry Only System.....	5	FACILITY.....	28
Record Date.....	7	Estimated Construction Cost of the Intermodal	
Transfers and Exchanges.....	7	Facility.....	29
SOURCES OF PAYMENT AND SECURITY FOR THE		Description of Funding Sources.....	29
2006 FIRST LIEN BONDS.....	7	Additional Funding for the Project.....	30
The Indenture.....	7	ANNUAL DEBT SERVICE REQUIREMENTS.....	31
The Loan Agreement.....	8	REPORT OF THE AIRPORT CONSULTANT.....	32
Pledge of Facility Revenues.....	8	DEBT SERVICE COVERAGE.....	32
Customer Facility Charges("CFCs").....	8	FORWARD LOOKING STATEMENTS.....	33
Funds and Accounts.....	9	RISK FACTORS AND INVESTMENT	
Rate Covenant.....	10	CONSIDERATIONS.....	33
Covenant Regarding CFCs.....	10	Completion of the Intermodal Facility.....	33
Debt Service Reserve Fund.....	10	Achievement of Projections.....	34
Additional Obligations.....	10	Dilution of First-Lien Security Upon Bankruptcy	
Flow of Funds.....	12	Related Event.....	35
Default and Remedies.....	14	Limitation and Enforceability of Remedies.....	35
THE BOND INSURER AND THE FINANCIAL		Damage and Destruction.....	35
GUARANTY INSURANCE POLICY.....	16	Considerations under the Bankruptcy Code.....	35
CIFG Assurance North America, Inc.....	16	Determination of Taxability.....	36
General.....	16	Events of Force Majeure.....	36
CONCESSION AGREEMENT AND THE RENTAL		LITIGATION.....	36
CAR COMPANIES.....	17	LEGAL MATTERS.....	36
SUMMARY OF THE TIFIA LOAN AGREEMENT.....	18	TAX MATTERS.....	37
SUMMARY OF THE PROJECT AGREEMENT.....	18	Opinion.....	37
General.....	18	Original Issue Discount and Premium.....	38
RIDOT's Funding Obligations.....	20	CONTINUING DISCLOSURE OF INFORMATION.....	38
THE RHODE ISLAND ECONOMIC DEVELOPMENT		Annual Reports.....	39
CORPORATION.....	20	Material Event Notices.....	39
General.....	20	Availability of Information from NRMSIRs.....	39
Directors and Officers.....	21	Limitations and Amendments.....	39
Other Indebtedness.....	22	RATINGS.....	40
THE RHODE ISLAND AIRPORT CORPORATION.....	22	FINANCIAL ADVISORS.....	40
General.....	22	UNDERWRITING.....	40
Directors and Officers.....	22	OTHER MATTERS.....	41
Airport Management.....	23		

APPENDIX A -	REPORT OF THE AIRPORT CONSULTANT
APPENDIX B -	SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
APPENDIX C -	SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT
APPENDIX D -	SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT
APPENDIX E -	FORM OF BOND INSURANCE POLICY
APPENDIX F -	FORM OF BOND COUNSEL OPINION

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# OFFICIAL STATEMENT

relating to

**\$48,765,000**

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION  
FIRST LIEN SPECIAL FACILITY REVENUE BONDS  
(RHODE ISLAND AIRPORT CORPORATION INTERMODAL FACILITY PROJECT)  
SERIES 2006**

## INTRODUCTION

This Official Statement contains certain information relating to the offering and sale by the Rhode Island Economic Development Corporation (the “EDC”) of its First Lien Special Facility Revenue Bonds, (Rhode Island Airport Corporation Intermodal Facility Project), Series 2006 (the “2006 First Lien Bonds”). This Official Statement also contains information regarding the loan from the United States Department of Transportation (“USDOT”) to the EDC made pursuant to the Transportation Infrastructure Finance and Innovation Act of 1998, 23 United States Code, Section 601, et seq. (“TIFIA”) and the TIFIA Loan Agreement (as defined herein) and evidenced by the Rhode Island Economic Development Corporation Second Lien Special Facility Revenue Bond (Rhode Island Airport Corporation Intermodal Facility Project) Series 2006 (TIFIA Bond No. 2006-1001) (the “2006 TIFIA Bond”) issued as a Second Lien Obligation pursuant to the First Supplemental Indenture. See - “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT.”

This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact. 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 2006 First Lien Bonds are special, limited obligations of the EDC 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 2006 FIRST LIEN BONDS – The Indenture.” The 2006 First Lien Bonds are the first series of Obligations issued under the Indenture.

The obligation to make payments to the EDC in amounts required to pay the 2006 First Lien Bonds is evidenced by a Loan Agreement by and between the EDC and RIAC dated as of June 1, 2006 (the “EDC Loan Agreement”). RIAC’s obligation to make payments under the EDC Loan Agreement is a special, limited obligation of RIAC and not a general obligation of RIAC. RIAC’s obligation to make payments under the EDC Loan Agreement is limited to RIAC’s interest in Facility Revenues and in certain funds and accounts held by the Trustee under the Indenture as part of the Trust Estate. 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 (“CFCs”); (ii) fees payable by Rental Car Companies pursuant to Section 14.5 of the Concession Agreement (but excluding privilege fees and deficiency fees thereon paid by Rental Car Companies pursuant to the Concession Agreement); (iii) commuter parking revenues; (iv) payments by parties other than Rental Car Companies under concession or lease agreements relating to the Intermodal Facility; and (v) any payments by parties other than Rental Car Companies for access to or use of the skywalk system included in the Intermodal Facility (but excluding privilege and deficiency fees paid by such parties).

The 2006 First Lien Bonds are being issued for the purpose of financing a portion of the Project Costs of the Intermodal Facility to be designed and constructed by RIAC and the Rhode Island Department of Transportation ("RIDOT") at or adjacent to the Airport for train, bus, commuter, and rental car access to and egress from the T.F. Green State Airport (the "Airport"). The Intermodal Facility will include a train station and platforms, a bus pick-up and drop-off area, commuter parking spaces, a skywalk system, and exclusive and common parking, storage, retail and operating space for rental car companies. See "THE INTERMODAL FACILITY."

Additional sources of funding for construction of the Intermodal Facility will be provided through the 2006 TIFIA Loan, state and federal grants, CFCs collected prior to the Date of Operational Opening ("DOO") and investment earnings on funds and accounts held by the Trustee under the Indenture. See "PLAN OF FINANCE."

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. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" AND "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT."

CFCs are charges imposed pursuant to State law (Rhode Island General Law 1-2-1.1) and required to be collected by the Rental Car Companies, defined as the rental car companies that are or become signatories to the Concession Agreement, and Off-Site RACs, as defined in the Concession Agreement, on vehicle rentals to customers who use the Airport or Intermodal Facility. See "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 FIRST LIEN BONDS- Customer Facility Charges," "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" and "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT."

Prior to the issuance of the 2006 First Lien Bonds and the 2006 TIFIA Bond, RIAC and various rental car companies serving the Airport will enter into the Amended and Restated Rental Car Company Concession Agreement (the "Concession Agreement"). Under the Concession Agreement, RIAC will receive payment of certain fees and charges from the Rental Car Companies. See "CONCESSION AGREEMENT AND RENTAL CAR COMPANIES" AND "APPENDIX D – CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT."

**THE 2006 FIRST LIEN 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 EDC) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING NOR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2006 FIRST LIEN BONDS OR THE INTEREST OR PREMIUM, IF ANY, THEREON. THE EDC HAS NO TAXING POWER.**

For more information, please see attached to this Official Statement and included as part hereof the following Appendices: APPENDIX A - REPORT OF THE AIRPORT CONSULTANT; APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE; APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT; APPENDIX D - SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT; APPENDIX E - FORM OF BOND INSURANCE POLICY; AND APPENDIX F - FORM OF BOND COUNSEL OPINION.

## SOURCES AND USES OF FUNDS FOR THE 2006 FIRST LIEN BONDS

The proceeds from the sale of the 2006 First Lien Bonds are estimated to be applied as set forth in the following table:

### Sources of Funds:

Principal Amount	\$48,765,000
Net Original Issue Premium	<u>\$1,573,804</u>
<u>Total Sources of Funds</u>	\$50,338,804

### Uses of Funds:

Deposit to Construction Fund*	\$45,078,222
Deposit to First Lien Debt Service Reserve Fund	\$4,074,000
Bond Insurance and Issuance Costs (including Underwriters' Discount)	<u>\$1,186,582</u>
<u>Total Uses of Funds</u>	\$50,338,804

\*Including interest capitalized through October, 2009

## THE 2006 FIRST LIEN BONDS

### General

The 2006 First Lien Bonds are being issued in accordance with the Rhode Island Economic Development Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"), and the Indenture. The Trustee will act as the initial Paying Agent and Bond Registrar with respect to the 2006 First Lien Bonds. The Bank of New York Trust Company, N.A. is the Trustee.

The 2006 First Lien Bonds will be dated and will mature as described on the cover page and the inside cover page of this Official Statement. The principal of, and premium, if any, on the 2006 First Lien Bonds will be payable at the principal corporate trust office of the Paying Agent. Semi-annual interest on the 2006 First Lien Bonds (payable on each January 1 and July 1) commencing on January 1, 2007 will be payable by check drawn on the Trustee and mailed on each interest payment date to the registered owners thereof registered as such on the relevant record date or by wire transfer in the case of a registered owner holding at least \$1,000,000 in principal amount of the 2006 First Lien Bonds. The record date for each payment of interest is the fifteenth day of the month preceding the month in which an interest payment date occurs. The 2006 First Lien Bonds are issuable as fully registered bonds in denominations of \$5,000 or any integral multiple thereof without coupons and, when issued, will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York.

### Redemption

**Mandatory Sinking Fund Redemption.** The 2006 First Lien Bonds maturing on July 1, 2031 and July 1, 2036 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the principal amounts and on the dates set forth in the following tables. Outstanding Term Bonds are required to be redeemed in part by the Trustee on such dates with funds from the First Lien Debt Service Fund created and maintained pursuant to the Indenture. If less than all of a Maturity of the Term Bonds is called for redemption, the Trustee will select by lot the Term Bonds to be redeemed within each Maturity (provided that a portion of the Term Bonds may be redeemed only in an integral multiple of \$5,000); provided that, for so long as the only owner of the Term Bonds is DTC, the selection of Term Bonds within a stated maturity will be made by DTC. The Term

Bonds will be redeemed at a redemption price equal to the principal amount thereof, plus accrued interest to the date of redemption, without premium, on the dates and in the principal amounts, respectively, as follows:

Term Bonds Maturing July 1, 2031

<u>Redemption Date</u>	<u>Amount</u>
7/1/2027	\$2,160,000
7/1/2028	\$2,315,000
7/1/2029	\$2,480,000
7/1/2030	\$2,645,000
7/1/2031*	\$2,830,000
*(final maturity)	

Term Bonds Maturing July 1, 2036

<u>Redemption Date</u>	<u>Amount</u>
7/1/2032	\$3,015,000
7/1/2033	\$3,215,000
7/1/2034	\$3,430,000
7/1/2035	\$3,645,000
7/1/2036*	\$3,880,000
*(final maturity)	

The principal amount of the 2006 First Lien Bonds required to be redeemed on any redemption date pursuant to the operation of the mandatory sinking fund redemption provisions will be reduced, at the option of the EDC, by the principal amount of any 2006 First Lien Bonds of the series and maturity scheduled for redemption on such redemption date or dates, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) have been acquired by the EDC and delivered to the Trustee for cancellation, (2) have been acquired and canceled by the Trustee, at the direction of the EDC, with funds from the First Lien Debt Service Fund, at a price not exceeding the principal amount of such 2006 First Lien Bonds plus accrued interest to the date of acquisition thereof, or (3) have been redeemed pursuant to the optional redemption provisions and not previously credited to a scheduled mandatory redemption.

**Optional Redemption.** The 2006 First Lien Bonds maturing on or before July 1, 2016 are not subject to Optional Redemption prior to maturity. The 2006 First Lien Bonds maturing on or after July 1, 2017 are subject to redemption prior to maturity during the redemption period set forth below and at a redemption price equal to that percentage of principal amount of the 2006 First Lien Bonds set forth opposite the appropriate redemption period.

<u>Redemption Period</u>	<u>Redemption Price</u>
On and after July 1, 2016	100%

**Selection of 2006 First Lien Bonds to be Redeemed.** The EDC shall designate each maturity of 2006 First Lien Bonds to be redeemed. If less than all of a maturity of 2006 First Lien Bonds is called for redemption, the Trustee will select by lot the 2006 First Lien Bonds to be redeemed within each maturity of 2006 First Lien Bonds (provided that a portion of any Obligation may be redeemed only in principal amounts or maturity amounts, as applicable, of \$5,000 or any integral multiple thereof); provided that, for so long as the only owner of the 2006 First Lien Bonds is DTC, the selection of 2006 First Lien Bonds within a stated maturity will be made by DTC.

**Notice and Conditional Redemption.** The Trustee, at the expense of the EDC, will send notice of any redemption, identifying the 2006 First Lien Bonds to be redeemed, the redemption date, the method and place of

payment, the CUSIP number, the date of issue, the interest rate, the maturity date and any other descriptive information determined by the Trustee to be required to identify the 2006 First Lien Bonds, by first class mail, or other commercially acceptable method of communication, to each Registered Owner of an Obligation called for redemption to the Registered Owner's address listed on the Bond Register. In the case of an optional redemption, the notice of redemption may state (i) 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 (ii) that the EDC retains the right to rescind such notice at any time prior to the scheduled redemption date if the EDC delivers a certificate to the Trustee instructing the Trustee to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded in accordance with the provisions of the Indenture. Any redemption notice must be sent by the Trustee at least 30 days prior to the scheduled redemption date. With respect to Book-Entry Obligations, the Trustee will send a notice of redemption to the Securities Depository pursuant to the Letter of Representation and the Trustee is not required to give the notice to any Beneficial Owners. If notice is given as stated in this paragraph, failure of any Registered Owner to receive such notice, or any defect in the notice, will not affect the redemption or the validity of the proceedings for the redemption of the 2006 First Lien Bonds.

### **Trustee**

The EDC covenants to maintain and provide a Trustee at all times while the 2006 First Lien Bonds are outstanding, and any successor Trustee must be a corporation or banking association, duly organized and doing business under the laws of the United States or of any state, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal or state banking authority, of good standing, and having, at the time of its appointment, a combined capital and surplus aggregating not less than \$100,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. In the event that the entity at any time acting as Trustee should resign or otherwise cease to act as such, the EDC will promptly appoint a successor Trustee by written instrument. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Secured Owner may petition a court of competent jurisdiction for the appointment of a successor Trustee.

### **Book-Entry Only System**

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the EDC believes to be reliable, but the EDC takes no responsibility for the accuracy thereof.

DTC, New York, New York, will act as securities depository for the 2006 First Lien Bonds. The 2006 First Lien 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 certificate will be issued for each maturity of each series of the 2006 First Lien Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a

wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc. the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). 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](http://www.dtcc.com).

Purchases of 2006 First Lien Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2006 First Lien Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2006 First Lien 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 2006 First Lien 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 2006 First Lien Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 2006 First Lien 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 2006 First Lien 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 2006 First Lien Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2006 First Lien Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the 2006 First Lien Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2006 First Lien Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the EDC 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 2006 First Lien Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the 2006 First Lien Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the EDC or the Paying Agent on a 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 EDC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an

authorized representative of DTC) is the responsibility of the EDC 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 depository with respect to the 2006 First Lien Bonds at any time by giving reasonable notice to the EDC or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

### **Record Date**

With respect to the 2006 First Lien Bonds, the Record Date for the payment of interest is the fifteenth day of the month preceding the month in which an Interest Payment Date occurs. If any such Record Date is not a Business Day, then the Record Date shall be the Business Day next preceding such date.

### **Transfers and Exchanges**

Beneficial ownership of the 2006 First Lien Bonds registered in the name of Cede & Co. will initially be transferred as described under "THE 2006 FIRST LIEN BONDS – Book-Entry-Only System" above.

As initial Bond Registrar, so long as any 2006 First Lien Bonds remain outstanding, the Trustee will maintain a Bond Register for the registration and transfer of the 2006 First Lien Bonds in accordance with the terms of the Indenture.

Upon surrender of any 2006 First Lien Bonds at the designated office of the Trustee, together with an assignment duly executed by the current Registered Owner of such 2006 First Lien Bonds or such Registered Owner's duly authorized representative, such 2006 First Lien Bonds may, at the option of the Registered Owner, be exchanged for an equal aggregate principal amount of 2006 First Lien Bonds of the same maturity, of Authorized Denominations and bearing interest at the same rate and in the same form as the Obligation being surrendered for exchange, registered in the name or names designated on the assignment; **provided that the Trustee is not required to exchange or register the transfer of 2006 First Lien Bonds after the giving of notice calling such 2006 First Lien Bonds for redemption, in whole or in part.**

The Trustee may make a charge to any Registered Owner requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto and the EDC may charge such amount as it deems appropriate for each new 2006 First Lien Bonds delivered upon such exchange or transfer, which charge or charges shall be paid before any new 2006 First Lien Bonds shall be delivered.

## **SOURCES OF PAYMENT AND SECURITY FOR THE 2006 FIRST LIEN BONDS**

### **The Indenture**

The principal amount of, redemption premium, if any, and interest on the 2006 First Lien Bonds will be payable from, and secured by a pledge of the respective interests of EDC and RIAC in the Trust Estate created under the Indenture. The Trust Estate consists of: (i) Facility Revenues; (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) EDC's right, title and interest to receive loan payments from RIAC under the EDC Loan Agreement.

The 2006 First Lien Bonds are special and limited obligations of EDC payable solely from, and secured solely by, a first lien pledge of the Trust Estate created under the Indenture.

THE 2006 FIRST LIEN BONDS AND THE INTEREST THEREON AND THE PREMIUM THEREON, IF ANY, DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL AND LIMITED OBLIGATION OF EDC) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING NOR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2006 BONDS OR THE INTEREST OR PREMIUM, IF ANY, THEREON. THE EDC HAS NO TAXING POWER.

**The Loan Agreement**

The EDC Loan Agreement constitutes an unconditional obligation of RIAC to repay, from the Trust Estate, the loan from EDC 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 2006 First Lien Bonds. Pursuant to the EDC 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 EDC Loan Agreement and the Indenture, RIAC has irrevocably pledged the Facility Revenues to the payment of its loan under the EDC Loan Agreement and to the payment of the 2006 First Lien Bonds.

Facility Revenues means all revenues collected by or on behalf of RIAC that are generated by the operation of the Intermodal Facility, including: (i) CFCs; (ii) fees payable by Rental Car Companies pursuant to Section 14.5 of the Concession Agreement (but excluding privilege fees and deficiency fees thereon paid by Rental Car Companies pursuant to the Concession Agreement); (iii) commuter parking revenues; (iv) payments by parties other than Rental Car Companies under concession or lease agreements relating to the Intermodal Facility; (v) any payments by parties other than Rental Car Companies for access to or use of the skywalk system included in the Intermodal Facility (but excluding privilege and deficiency fees paid by such parties). 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 2006 First Lien Bonds.

**Customer Facility Charges**

RIAC is authorized by R.I. General Laws 1-2-1.1 to impose a CFC on, and to require rental car companies to collect from, rental car customers who directly or indirectly use the Airport or Intermodal Facility. Pursuant to this authorization, RIAC began collecting a CFC of \$3.75 per rental car transaction day on July 1, 2001. The following table shows the amount of CFCs collected annually for RIAC’s fiscal years 2002 through 2005:

<u>Customer Facility Charges Collected</u>				
Fiscal Years	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
CFCs Collected	\$4,959,790	\$4,827,427	\$4,579,856	\$4,881,098

Each rental car company that wishes to conduct a rental car business at the Airport will be required to execute a Concession Agreement. The Concession Agreement sets forth the terms and conditions pursuant to which Rental Car Companies will lease space at the Intermodal Facility from RIAC and conduct rental car business at the Airport. See – “THE CONCESSION AGREEMENT AND THE RENTAL CAR COMPANIES” and “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT.”

In accordance with its legal authorization to impose and collect CFCs, RIAC is empowered to establish the CFC to be collected per transaction day. Pursuant to the Concession Agreement (and for so long as the Concession Agreement is in effect), RIAC has agreed to limit the CFC to be charged per transaction day to (i) \$4.50 prior to the Date of Operational Opening (“DOO”) of the Intermodal Facility; (ii) \$5.50 for the five years after the DOO; and (iii) on and after the fifth 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 (as defined in the Concession Agreement) from the fifth anniversary of the DOO until the date of calculation (the “CFC Cap”). 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 CFC Cap is the sum of the CFC Cap pursuant to (ii) or (iii) above plus \$.50. See “APPENDIX A – REPORT OF THE AIRPORT CONSULTANT” and “APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT.”

## **Funds and Accounts**

The Indenture establishes certain funds. The funds are designated the “Construction Fund” (held by the Trustee), the “Revenue Fund” (held by RIAC), the “Operating and Maintenance Fund” (held by RIAC), the “First Lien Debt Service Fund” (held by the Trustee), the “First Lien Debt Service Reserve Fund” (held by the Trustee), the “Second Lien Debt Service Fund” (held by the Trustee), the “Second Lien Debt Service Reserve Fund” (held by the Trustee), the “Subordinate Lien Debt Service Fund” (held by the Trustee), the “Subordinate Lien Debt Service Reserve Fund” (held by the Trustee), the “Rebate Fund” (held by the Trustee), the “Operating and Maintenance Reserve Fund” (held by RIAC), the “Emergency Renewal and Replacement Reserve Fund” (held by RIAC), the “Renewal and Replacement Fund” (held by RIAC), “Intermodal General Purpose Fund” (held by RIAC) and the CFC Fund held by RIAC. For a more detailed description of funds created under the Indenture, see “APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

The Construction Fund, the Revenue Fund, the First Lien Debt Service Fund, the First Lien Debt Service Reserve Fund, the Second Lien Debt Service Fund, the Second Lien Debt Service Reserve Fund, the Subordinate Lien Debt Service Fund, the Subordinate Lien Debt Service Reserve Fund and the CFC Fund are pledged under the Indenture as part of the Trust Estate. The Operating and Maintenance Fund, the Rebate 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 are not pledged under the Indenture as part of the Trust Estate. 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 (except with respect to the hereinafter referenced Operating and Maintenance Reserve Fund in which case, the Trustee may withdraw) (or cause to be withdrawn) the amount of such deficiency from the moneys on deposit in the following funds and transfer those moneys 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, (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 Second Lien Debt Service Fund the moneys therein shall not be sufficient for such purpose, subject to the above-referenced paragraph with respect to the First Lien Debt Service Fund, the Trustee shall (except with respect to the hereinafter referenced Operating and Maintenance Reserve Fund in which case, the Trustee may withdraw or may cause to be withdrawn) withdraw (or cause to be withdrawn) the amount of such deficiency from the moneys on deposit in the following funds and transfer those moneys to the Second 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 and (iv) the Second Lien Debt Service Reserve Fund.

At the time of issuance of the 2006 First Lien Bonds, it is not anticipated that there will be Subordinate Lien Bonds and there will be no deposit in the Subordinate Lien Debt Service Reserve Fund.

## **Rate Covenant**

RIAC has covenanted under the Indenture to establish and revise rules and regulations to insure that Net Facility Revenues (Facility Revenues less Operating and Maintenance Costs) plus Investment Earnings thereon and amounts on deposit in a Coverage Account, if any, at the beginning of each Fiscal Year are, in each Fiscal Year, at least equal to the greatest of (a) 1.25 times the Annual Debt Service payable on all Outstanding First Lien Obligations, (b) 1.1 times the Annual Debt Service payable on all Outstanding First Lien Obligations 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.

## **Covenants Regarding CFCs**

**Collections Covenant.** RIAC shall cause the CFCs to be calculated, established and imposed so long as any Obligations remain Outstanding, and RIAC shall use diligence to collect the Facility Revenues and to cause the CFCs to be collected by each Rental Car Company and Off-Site RAC in accordance with applicable law and the terms of the Concession Agreement and deposited in the Revenue Fund. 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.

**CFC Covenant.** So long as the 2006 TIFIA Bond is outstanding, EDC 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 Federal Highway Administrator ("FHWA"), provided, however that no such consent shall be required if the Net Facility Revenues assessed at the rate proposed by RIAC would have been sufficient to satisfy the Rate Covenant set forth above for the immediately preceding Fiscal Year.

## **Debt Service Reserve Fund**

The Indenture establishes a First Lien Debt Service Reserve Fund which will initially be funded with proceeds of the 2006 First Lien Bonds 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. Amounts in the First Lien Debt Service Reserve Fund are to be used to pay interest on, maturing principal and the mandatory sinking fund redemption price, of First Lien Obligations in cases where other moneys under the Indenture are not available therefor. The TIFIA Bond is not under any circumstances taken into account in computing the First Lien Debt Service Reserve Requirement nor is the 2006 TIFIA Bond secured by the First Lien Debt Service Reserve Fund.

Moneys, investments and any First Lien DSRF Security in the First Lien Debt Service Reserve Fund shall be held and used for the benefit of all First Lien Obligations. In lieu of a deposit of moneys into the First Lien Debt Service Reserve Fund, the funding requirement may be met by providing a First Lien DSRF Security (i.e. surety bond, insurance policy, letter of credit or similar financial instrument issued by an institution whose Long-Term Indebtedness is rated in one 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.

## **Additional Obligations**

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

The EDC has agreed in the Indenture that it will not issue any Additional First Lien Obligations unless it delivers specified documentation, including certain opinions, certificates and the following:

(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 (a) 1.25 times the Annual Debt Service on all First Lien Obligations (including such Additional First Lien Obligations) or (b) 1.1 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 (x) 1.25 times the maximum Annual Debt Service on all First Lien Obligations (including such Additional First Lien Obligations) or (y) 1.1 times the maximum Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional First Lien Obligations); and

(iii) if the Additional First Lien Obligations are being incurred solely for the purposes of refunding, repurchasing or refinancing (whether in advance or otherwise) First Lien Obligations, a certificate of an EDC Representative to the effect that Annual Debt Service on account of such Additional First Lien Obligations would be less than the Annual Debt Service on 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.

Pursuant to the TIFIA Loan Agreement, RIAC has also agreed not to issue any Additional First Lien Obligations without the consent of FHWA.

**Completion Obligations.** To finance the costs of completion of the Intermodal Facility and the completion of any additions or expansions of the Intermodal Facility, at the request of RIAC, the EDC may, without complying with the provisions governing the issuance of Additional First Lien Obligations described above, issue Additional First Lien Obligations in a principal amount not in excess of 15% of the principal amount of the First Lien Bonds issued to finance the Intermodal Facility or such additions or expansions if, prior to the issuance thereof, there is delivered to the Trustee a certificate of a RIAC Representative stating that: (i) in the case of the 2006 First Lien Bonds at the time such 2006 First Lien Bonds were issued, RIAC had reason to believe that the proceeds of such 2006 First Lien Bonds, together with other moneys then expected to be available, would provide sufficient moneys for the completion of the Intermodal Facility; (ii) the amount estimated to be needed to complete the Intermodal Facility; and (iii) the proceeds of such Additional First Lien Obligations to be applied to the completion of the Intermodal Facility, together with a reasonable estimate of investment income and any other moneys reasonably expected to be available, will be in an amount not less than the estimated amount needed to complete the Intermodal Facility.

In the case of a Series of First Lien Obligations issued to finance an addition to or expansion of the Intermodal Facility, RIAC would be required to issue a certificate of a RIAC representative stating that: (i) at the time such First Lien Obligations were issued, RIAC had reason to believe that the proceeds thereof together with other moneys then expected to be available would provide sufficient monies to complete such addition or expansion; (ii) the amount estimated to be needed to so complete such 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 thereon and available to pay the costs of completing such addition or expansion and any other moneys expected to be available, will be in an amount not less than the amount estimated to be needed to complete such addition or expansion.

The principal amount of the Additional First Lien 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 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 (iii) pay the costs and expenses of issuing such Additional First Lien Obligations. See – “APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Pursuant to the TIFIA Loan Agreement, RIAC has also agreed not to issue any completion Obligations without the consent of FHWA.

**Flow of Funds**

RIAC will deposit all Facility Revenues (excepting only CFCs collected prior to the earlier to occur of the Completion Date or the date on which all capitalized interest on the 2006 First Lien Bonds has been expended which CFCs shall be deposited into the CFC Fund) to the credit of the Revenue Fund and will transfer amounts on deposit in the Revenue Fund monthly, by the fifth Business Day of the month, to the following funds in the following order of priority:

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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 <sup>1</sup>	TRUSTEE
5	Second Lien Debt Service Reserve Fund <sup>1</sup>	TRUSTEE
6	Subordinate Lien Debt Service Fund <sup>2</sup>	TRUSTEE
7	Subordinate Lien Debt Service Reserve Fund <sup>2</sup>	TRUSTEE
8	Rebate Fund	TRUSTEE
	Operating and Maintenance Reserve Fund	RIAC
9	<ul style="list-style-type: none"> <li>• Minimum fund balance equal to 6 months of budgeted O&amp;M</li> <li>• Initially funded with OFC collections prior to facility completion</li> <li>• Any amounts used are to be replenished in 12 monthly deposits</li> </ul>	
	Emergency Renewal and Replacement Reserve Fund	RIAC
10	<ul style="list-style-type: none"> <li>• \$2 Million fund balance requirement</li> <li>• Initially funded with OFC collections prior to facility completion</li> <li>• Any amounts used are to be replenished with 12 monthly deposits</li> </ul>	
	Renewal and Replacement Fund	RIAC
11	<ul style="list-style-type: none"> <li>• May be funded up to \$10 Million maximum fund balance</li> <li>• Amounts to be used for renewal/replacement and other allowable costs</li> </ul>	
	Intermodal General Purpose Fund	RIAC
12	<ul style="list-style-type: none"> <li>• Deposit of all remaining Facility Revenues</li> <li>• Amounts may be used by RIAC for any purpose related to the Intermodal Facility and to rectify deficiencies in funds or accounts created under the Indenture.</li> <li>• 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"> <li>- Purchase or redeem outstanding debt obligations</li> <li>- Pay O&amp;M expenses</li> <li>- Fund Intermodal Facility projects</li> <li>- Any other lawful purpose</li> </ul> </li> </ul>	

<sup>1</sup> Includes deposits for the 2005 TPA Bonds

<sup>2</sup> No Subordinate Lien obligations or reserve anticipated at this time

Pursuant to the Indenture, the EDC and RIAC have covenanted that no transfer inconsistent with the flow of funds depicted in the above chart will be made from the Revenue Fund to any other fund in any Fiscal Year unless, in the opinion of an EDC Representative and a RIAC Representative set forth in a certificate delivered to the Trustee, such transfer is not anticipated to result in the inability of RIAC or EDC to make a later transfer in the same Fiscal Year to a fund securing Obligations that have a security interest in the Trust Estate senior to that securing the Obligations that are secured by the fund into which the transfer is scheduled to be made. Under the Indenture, First Lien Obligations have a security interest in the Trust Estate senior to Second Lien Obligations and Subordinate Lien Obligations. 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 the costs of issuance in connection with the 2006 TIFIA Bond. The balance of monies, if any, remaining in the CFC Fund after satisfaction of the foregoing requirements shall be transferred to the Renewal and Replacement Fund.

### **Default and Remedies**

**Events of Default.** The occurrence and continuation of any of the following constitutes an "Event of Default" under the Indenture:

(a) failure by the EDC to pay the principal of and premium, if any, or interest on any of the Obligations, but not the 2006 TIFIA Bond, when the same shall become due and payable; or

(b) an event of default under the EDC Loan Agreement, a Credit Facility, a First Lien DSRF Security, or a Reimbursement Agreement for First Lien Obligations; or

(c) substantially all or any major portion of the Intermodal Facility is destroyed or damaged to the extent of impairing its efficient operation and materially adversely affecting the Facility Revenues and is not 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 EDC 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 EDC or RIAC, respectively, and any such judgment is not discharged within ninety (90) days from the entry thereof or an appeal is not 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 which has not been cured, vacated, discharged, or stayed within sixty (60) days after the occurrence thereof; or

(f) the EDC fails to duly and punctually perform any other covenant, condition, agreement, or provision contained in any Obligations (other than the 2006 TIFIA Bond), or in the Indenture and such failure continues for sixty (60) days after written notice specifying such failure and requiring it to be remedied has been given to the EDC by the Trustee, which may give such notice in its discretion and must give such notice at the written request of the Secured Owners of not less than ten percent (10%) in principal amount of the Obligations then Outstanding; and the Trustee shall investigate and consider any allegation of such default or Event of Default of which any Bond Insurer of record notifies the Trustee in writing. Pursuant to the Indenture, any Bond Insurer of the Obligations may act as the owner of such Obligations with respect to defaults, remedies and waivers. Notwithstanding anything in the Indenture to the contrary, the TIFIA Loan Agreement shall govern with respect to events of default relating to the 2006 TIFIA Bond.

**Remedies.** The Secured Owners shall be entitled to the remedies hereinafter specified, PROVIDED, HOWEVER, ACCELERATION OF THE PRINCIPAL OF OR INTEREST ON 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. 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 Indenture. 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 under the Indenture must proceed, subject to certain provisions of the Indenture providing for various rights of the Trustee, 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 EDC 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 EDC, 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 Net Facility Revenues) in any manner provided by law, the moneys adjudged or decreed to be payable. See “RISK FACTORS – Limitation and Enforceability of Remedies.”

**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 and Subordinate 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 2006 First Lien Bonds 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 order of the EDC 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 Indenture and under the TIFIA Loan Agreement the 2006 TIFIA Bond will be deemed to be and will automatically become a First Lien Obligation for all purposes of the Indenture (but not with respect to rights to amounts in the First Lien Debt Service Reserve Fund) and the FHWA, 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 Bond will revert to the status of a Second Lien Obligation and will no longer be entitled to any rights as a First 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, 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 2006 FIRST LIEN BONDS –Debt Service Reserve Fund."

For further information regarding remedies under the Indenture See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

## **THE BOND INSURER AND THE FINANCIAL GUARANTY INSURANCE POLICY**

### **CIFG Assurance North America, Inc.**

The information set forth in the following paragraphs has been provided by CIFG Assurance North America, Inc., referred to in this Official Statement as the Insurer or CIFG, for inclusion in this Official Statement.

#### **General**

CIFG Assurance North America, Inc. is a monoline financial guaranty insurance company incorporated under the laws of the State of New York (the "Insurer"). The address of the principal executive offices of the Insurer is 825 Third Avenue, Sixth Floor, New York, New York 10022; its toll-free telephone number is (866) CIFG-212 and its general telephone number is (212) 909-3939.

The Insurer is a member of the CIFG Group of financial guaranty companies, which also includes CIFG Europe, a French insurance company licensed to do business in twenty member countries of the European Union, and CIFG Guaranty, a dedicated French reinsurance corporation. In addition to its capital and surplus as set forth below, the Insurer is supported by a net worth maintenance agreement from CIFG Guaranty, which provides that CIFG Guaranty will maintain the Insurer's New York statutory capital and surplus at no less than \$80 million, and may cede a substantial portion (not to exceed 90%) of its exposure on each transaction to CIFG Guaranty through a facultative reinsurance agreement.

Each of the Insurer, CIFG Europe and CIFG Guaranty has received an insurer financial strength rating of "AAA" from Fitch, an insurer financial strength rating of "Aaa" from Moody's, and an insurer financial enhancement rating of "AAA" from Standard and Poor's, the highest rating assigned by each rating agency. Each such rating should be evaluated independently. The ratings reflect the respective rating agency's current assessment of each company's capacity to pay claims on a timely basis and are not recommendations to buy, sell or hold the Bonds. Such ratings may be subject to revision or withdrawal at any time.

The Insurer is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York, its state of domicile, and is licensed to do business in 46 jurisdictions. The Insurer is subject to Article 69 of the New York Insurance Law which, among other things, limits the business of such insurers to financial guaranty insurance and related lines, requires that such insurers maintain a minimum surplus to policyholders, establishes contingency, loss and unearned premium reserve requirements for such insurers, and limits the size of individual transactions and the volume of transactions that may be underwritten by such insurers. Other provisions of the New York Insurance Law applicable to non-life insurance companies such as the Insurer regulate, among other things, permitted investments, payment of dividends, transactions with affiliates, mergers, consolidations, acquisitions or sales of assets and incurrence of liabilities for borrowings.

## Capitalization

The following tables set forth the capitalization of the Insurer on the basis of accounting practices prescribed or permitted by the New York State Insurance Department ("statutory accounting practices").

	Statutory Accounting Practices December 31, 2005 (in thousands of US dollars) Unaudited
Admitted Assets	\$ 175,333
Liabilities	\$ 66,758
Capital and Surplus	\$ 108,575

The following table sets forth the capitalization of CIFG Guaranty on the basis of accounting principles generally accepted in France ("French GAAP").

	French GAAP December 31, 2005 Unaudited	
	(in thousands of euros)	(in thousands of US dollars) (1)
Assets	€ 745,839	\$ 883,036
Liabilities	€ 158,672	\$ 187,860
Shareholder's Equity	€ 587,167	\$ 695,176

(1) The translation of euros to U.S. dollars is presented solely for the convenience of the reader, using the observed exchange rate at December 31, 2005 of \$1.18395 to €1.00. The convenience translation should not be construed as representation that the euro amounts have been, could have been, or in the future could be, converted into U.S. dollars at this or any rate of exchange.

For further information concerning the Insurer and CIFG Guaranty, see the audited financial statements of both companies, including the respective notes thereto, prepared on the basis of statutory accounting practices in the case of the Insurer and in accordance with French GAAP in the case of CIFG Guaranty, as of December 31, 2004 and 2003 and for each of the two years in the period ended December 31, 2004, which are available on the CIFG Group's website at [www.cifg.com](http://www.cifg.com). Copies of prior audited annual financial statements of the Insurer prepared in accordance with statutory accounting practices are also available on the website. Copies of all such financial statements may be obtained, without charge, upon request to the Insurer at its address above, Attention: Finance Department.

## CONCESSION AGREEMENT AND THE RENTAL CAR COMPANIES

The Airport is currently provided rental car service by ten companies. Those companies are Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Payless, Thrifty and U-Save. Once the Intermodal Facility opens, all rental car companies servicing the Airport will be required to service Airport customers through the Intermodal Facility. The companies specified above currently serve the Airport under existing agreements which have been amended and restated by the Concession Agreement. All of the above-referenced rental car companies have executed the Concession Agreement.

The Intermodal Facility will serve as the exclusive point of access to the Airport by customers of all Rental Car Companies and Off-Site RACs, except for certain limited courtesy vehicle service for premium or VIP customers. The customers of these Off-Site RACs as well as the customers of the Rental Car Companies will use the skywalk system to access the Airport. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT".

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 from the DOO.

RIAC will design and construct or cause RIDOT to design and construct the Intermodal Facility. The Rental Car Companies will be responsible for the design, construction, and operation of their exclusive office and counter space in the Intermodal Facility, the fuel system, and the QTA Area. Each Rental Car Company will be 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 Rental Car Company's market share and permit reallocation for these purposes at five-year intervals and for purposes of ready/return spaces at one year intervals for any Rental Car Company which has increased its market share over the market share of another Rental Car Company.

The Concession Agreement provides for, among other things, the handling and disposition of CFCs collected by Rental Car Companies. Pursuant to the Concession Agreement, CFCs are held in trust for RIAC by the Rental Car Companies, until paid to RIAC. The CFCs are required to be paid to RIAC or its designee on or before the 15<sup>th</sup> day of each month.

Pursuant to Section 14.5 of the Concession Agreement, the Rental Car Companies shall pay to RIAC (i) \$900,000 annually, subject to certain CPI increases in future years, (ii) the Revenue Deficiency, provided that the amount of the CFC is equal to the CFC cap at the time; (iii) certain unforeseeable and/or extraordinary expenses specified in the Concession Agreement; and (iv) in the event the Rental Car Companies exercise the option to acquire the lease for the RIDOT Commuter Spaces, an amount equal to the aggregate revenues from the RIDOT Commuter Spaces for the twelve month period immediately preceding the exercise of such option.

RIAC will make available to the Rental Car Companies a Tenant Improvement Fund in the amount of \$12 million to finance the design and construction of the fuel system and, to the extent that the Tenant Improvement Fund has not been depleted, to finance tenant fit-out. If \$12 million is not sufficient for the fuel system and tenant fit-out the Rental Car Companies shall pay any additional costs of such fuel system and tenant fit-out. Each Rental Car Company will pay its proportionate share of the annual debt service attributable to the Tenant Improvement Fund based on: (i) the number of fueling stations allocated to such company in relation to the number of fueling stations allocated to all of the Rental Car Companies; and (ii) if any, the amount used by such company for its tenant fit-out in relation to the funds used for tenant fit-out by all Rental Car Companies.

The Rental Car Companies are responsible for the operation and maintenance costs, as well as renewal, replacement and capital purchases of their exclusive space, ready/return spaces, the fueling system, and the QTA Area. RIAC is responsible for other renewal and replacement of components of the Intermodal Facility from the Renewal and Replacement Fund the balance of which Fund may never exceed \$10,000,000, the Intermodal General Purpose Fund and the Emergency Renewal and Replacement Reserve Fund.

Each Rental Car Company must pay 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 Rental Car Companies to ensure appropriate collection and payment of all CFCs, other required payments, and Privilege Fees. See "APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE CONCESSION AGREEMENT."

## **SUMMARY OF THE TIFIA LOAN AGREEMENT**

Pursuant to the provisions of TIFIA, the USDOT has agreed to lend the EDC up to \$42,000,000 to pay or reimburse Eligible Project Costs of the Intermodal Facility under a secured loan agreement by and among the EDC, the FHWA, RIAC and RIDOT dated as of June 1, 2006 ("TIFIA Loan Agreement"). The amounts loaned to EDC will in turn be loaned to RIAC pursuant to the EDC Loan Agreement. See "APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT."

To evidence the EDC's obligations under the TIFIA Loan Agreement, the EDC will issue 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 2006 First Lien Bonds. The 2006 TIFIA Bond will also be secured by the Second Lien Debt Service Reserve Fund funded from CFCs on the DOO in an amount equal to the average annual debt service on the 2006 TIFIA Bond calculated as of the date of closing.

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 2006 First Lien 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 2006 FIRST LIEN BONDS – Defaults and Remedies – 2006 TIFIA Bond Default Remedy" herein. See also "RISK FACTORS - Dilution of Senior Lien Security Upon Bankruptcy Related Event" herein.

The proceeds of the 2006 TIFIA Bond are available, as needed, to pay or reimburse Eligible Project Costs. The foregoing notwithstanding, until such time as RIAC provides the FHWA with all necessary approvals and permits, including the air rights easement, required from Amtrak for the specific elements of the Intermodal Facility which require Amtrak approval, RIAC may only requisition from proceeds of the 2006 TIFIA Bond thirty-three (33%) percent of all Eligible Project Costs. RIAC requisitions for Eligible Project Costs may not include any elements of the Intermodal Facility which require approvals and permits from Amtrak until such approvals and permits, including the air rights easement, have been obtained and provided to the FHWA. RIAC may not requisition any design and engineering costs for elements of the Intermodal Facility which require approvals and permits from Amtrak until such approvals and permits have been obtained.

So long as the 2006 TIFIA Bond is Outstanding, the EDC may not issue Additional First Lien Obligations, including completion Obligations, without the consent of the USDOT, acting by and through the Federal Highway Administrator.

## **SUMMARY OF THE PROJECT AGREEMENT**

### **General**

Prior to or on the delivery date of the 2006 First Lien Bonds, RIAC and RIDOT will enter into a Project Agreement which governs the construction and operation of the Intermodal Facility and RIDOT's funding commitment for the Intermodal Facility.

The Project Agreement outlines RIAC's and RIDOT's respective responsibilities for design and construction. The Project Agreement requires that RIDOT assign the design contracts for the Intermodal Facility to RIAC, and RIAC will thereafter be responsible for the administration of the contracts. RIDOT will continue to review the plans and specifications.

Under the Project Agreement, RIAC will hire a construction manager to administer all contracts, and will require all construction contracts to be awarded in accordance with RIAC's procurement rules, and with the concurrence of the Federal Highway Administration. Change orders are subject to review and approval by RIDOT and Federal Highway Administration (within 10 working days). In addition, the Project Agreement requires that RIDOT assign a full-time engineer, with the costs of such assignment to be reimbursed to RIDOT. If change orders are due to design errors or due to negligence and increase the cost of the Intermodal Facility, RIDOT will be responsible to fund such costs, however RIAC will agree to pursue recovery of those costs from the appropriate parties on behalf of RIDOT. Change orders which affect only the rental car facilities do not need RIDOT approval unless they increase costs, and will be incorporated so long as the Rental Car Companies pay 100% of such increased costs.

### **RIDOT's Funding Obligations**

Under the Project Agreement, RIDOT has guaranteed the payment of costs of the Intermodal Facility that exceed the estimated budget of \$222.5 million (except for certain costs described in the next paragraph), subject to annual appropriation of funds by the United States Congress and the Rhode Island General Assembly (the "Excess Costs"). RIDOT expects to obtain funds necessary to pay the Excess Costs from the sources described under sections entitled "PLAN OF FINANCE FOR THE INTERMODAL FACILITY – Description of Funding Sources – *Federal Grants and State Grants.*"

RIDOT will not be responsible for costs of the Intermodal Facility related to (i) the design and construction of the Fuel System within the QTA area and tenant fit-out of same; (ii) costs associated with the construction of tenant fit-out of the CSO area of the Intermodal Facility; (iii) costs which are the responsibility of the Rental Car Companies pursuant to the Concession Agreement; and (iv) any shortfall related to the collections of CFCs being less than projected amounts.

## **THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

### **General**

EDC 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. EDC is empowered, among other things, to issue its bonds and to loan the proceeds thereof to various borrowers in the State, including 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.

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 achieve a stable and diversified economy.

Certain State laws require information be provided to the General Assembly concerning bond issues by the EDC including the issuance of 2006 First Lien Bonds. The EDC has obtained all required approvals under such laws for the issuance of the 2006 First Lien Bonds.

The 2006 First Lien Bonds are being issued in full compliance with the Act. EDC is authorized to enter into the Indenture and the EDC Loan Agreement, to issue the 2006 First Lien Bonds, to loan the proceeds thereof to RIAC to finance the Project Costs and Financing and Issuance Costs, and to secure the 2006 First Lien Bonds by a pledge of the Trust Estate.

As a consequence of recent amendments to the Rhode Island constitution (the so-called "Separation of Powers" amendments), legislative members no longer serve on the Board of Directors of the EDC. The Act provides that all of the powers of the EDC are vested in a Board of Directors consisting of nine (9) 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 the eight (8) public members to be appointed by the Governor, with the advice and consent of the Senate. One of such members, to be appointed on an interim basis under certain circumstances as set forth in the Act, has not been appointed because the circumstances which would trigger the appointment requirement do not currently exist. Accordingly, in addition to the Governor, there are currently seven (7) 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 Executive Director of the Issuer is its Chief Executive Officer. 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**

The Directors and Officers of EDC are:

His Excellency Donald L. Carcieri. Governor Carcieri serves as Chairman of the Board of Directors, ex-officio.

Frank J. Montarano. Mr. Montarano serves as Vice Chairman of the Board of Directors. His appointment as a member is through February 1, 2005 and he serves until his successor is appointed and qualified. Mr. Montarano is President of the Rhode Island AFL-CIO.

Keith Stokes. Mr. Stokes serves as Treasurer of the Board of Directors. Mr. Stokes has been appointed as a member of the Board of Directors through February 1, 2008 or until his successor is appointed and qualified. Mr. Stokes is the Executive Director of the Newport County Chamber of Commerce.

Alma Felix Greene. Ms. Greene has been appointed as a member of the Board through February 1, 2005 and serves until her successor is appointed and qualified. Ms. Greene is the founder and President of Women's Development Corporation and Housing Opportunities Corporation.

Barbara Jackson. Ms. Jackson has been appointed as a member of the Board through February 1, 2007. Ms. Jackson is the owner of Alignment Technologies in North Kingstown, Rhode Island

Cheryl Merchant. Ms. Merchant has been appointed as a member of the Board through February 1, 2007 and serves until her successor is appointed and qualified. Ms. Merchant is the President/CEO of Hope Global, a textile engineering firm.

Alexander J. Bilouris. Mr. Bilouris has been appointed as a member of the Board through February 1, 2008 and serves until his successor is appointed and qualified. Mr. Bilouris is a commercial and residential real estate broker with Alexander & Company in Woonsocket, Rhode Island.

George Shuster. Mr. Shuster has been appointed as a member of the Board through February 1, 2003 and serves until his successor is appointed and qualified. Mr. Shuster is the Chief Executive Officer of Cranston Print Works Company.

Other officers of EDC are:

Saul Kaplan, Acting Executive Director

Richard C. Reed, Deputy Director

Earl F. Queenan, Jr., Director of Finance and Accounting

Robert I. Stolzman, Secretary

### **Other Indebtedness**

As of June 30, 2005, EDC and its subsidiaries had approximately \$672,084,274 in revenue bonds outstanding. Certain of the bonds of EDC other than the 2006 First Lien Bonds may be secured, in addition to a pledge of revenues, by a capital reserve fund established by EDC. Neither the revenues pledged to secure other EDC bonds nor the capital reserve fund established by EDC for other EDC Bonds secures the 2006 First Lien Bonds; nor does the Trust Estate under the Indenture secure any other EDC Bonds.

## **THE RHODE ISLAND AIRPORT CORPORATION**

### **General**

RIAC was created by EDC on December 9, 1992 as a subsidiary public corporation, governmental agency and public instrumentality, having a distinct legal existence from the State and EDC and having many of the same powers and purposes as EDC. 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, 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 its Articles of Incorporation, the powers of RIAC are vested in its Board of Directors consisting of seven members; one member is appointed by the Mayor of the City of Warwick and the remaining six members are appointed by the Governor of the State. Each of the six Directors appointed by the Governor is appointed for a staggered four year term. The Director appointed by the Mayor of the City of Warwick serves at the pleasure of the Mayor. All Directors serve without compensation but are entitled to reimbursement for necessary expenses incurred in the performance of their duties relating to RIAC.

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

### **Directors and Officers**

*James V. Rosati.* Mr. Rosati serves as Chairperson of the Board of Directors for RIAC. Mr. Rosati, a Partner of Riparian Partners Group, Ltd., an investment banking company, was appointed as chairperson on March 20, 2003 by Governor Donald Carcieri. He currently serves on a number of for-profit and not-for-profit Boards of Directors. His appointment expires on February 4, 2007.

*James C. Forte.* Mr. Forte serves as Vice Chairperson of the Board of Directors for RIAC. He has recently formed his own sales and marketing company by the name of The J.Forte. company, specializing in designing and manufacturing commemorative giftware. Mr. Forte was formerly the Director of Marketing and Product Development for The Encore Group, a San Diego based gift company and President of Fort USA, a

Rhode Island manufacturer. Mr. Forte serves on a number of boards and charitable organizations. His appointment expires on February 4, 2009.

Joseph M. Cianciolo. Mr. Cianciolo serves as the Treasurer of RIAC and is an Independent Director and Management Consultant who serves on the Board of Directors of Nortek, Inc., Eagle Bulk Shipping, Inc. and United Natural Foods, Inc. Additionally, Mr. Cianciolo serves as a Trustee of Providence College. Mr. Cianciolo retired as a Managing Partner of KPMG, LLP. Mr. Cianciolo's term expires December 9, 2009.

Joseph S. Larisa, Jr. Mr. Larisa serves as Secretary for RIAC and is an attorney in private practice in Rhode Island and owner of Larisa Law and Consulting, LLC. He is also Mayor of the City of East Providence. Previously, Mr. Larisa was Chief of Staff and Executive Counsel to the Governor of the State of Rhode Island. His appointment expires on December 9, 2006.

Kathleen C. Hittner, M.D. Dr. Hittner is the President of the Miriam Hospital. She is a board certified Diplomat of the American Board of Anesthesiology. Her appointment expires on December 9, 2008.

Michael A. Traficante. Mr. Traficante is the Director of Governmental Affairs for the New England Laborers. Mr. Traficante served as Mayor of the City of Cranston from 1985 through 1999. Mr. Traficante's appointment expires on December 9, 2007.

Robert Sangster. Mr. Sangster has served in a number of senior management positions with several jewelry manufacturing companies and with Hallmark Cards, Inc. Mr. Sangster was appointed to the RIAC Board of Directors by the Mayor of the City of Warwick and serves at the pleasure of the Mayor.

## **Airport Management**

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

Mark P. Brewer, A.A.E., President and CEO. As President and CEO of RIAC, Mr. Brewer has the responsibility and accountability for the operation of the six airport system in Rhode Island. These airports include a medium hub and five general aviation airports. Prior to joining RIAC in February, 1997, Mr. Brewer held senior management positions at four other East Coast U.S. air carrier airports including Hyannis, MA, Fort Lauderdale, FL, Salisbury, MD, and Lehigh Valley, PA. Mr. Brewer has a Bachelor's Degree in Air Commerce from the Florida Institute of Technology. Mr. Brewer is also an Accredited Airport Executive from the American Association of Airport Executives ("AAAE"). Mr. Brewer has been active in the airport management industry for over 30 years.

Brian C. Schattle, CPA, Chief Financial Officer. As CFO, Mr. Schattle is responsible for all administrative and financial functions for RIAC including procurement, accounting, cash management, financing, business development, tenant relations, and parking. Prior to joining RIAC in June 2004, Mr. Schattle was the New England Region Vice President for a multinational provider of bus and rail transportation services where he was responsible for all functions including sales, business development, marketing, operations, safety and finance. Mr. Schattle began his career with KPMG and has over ten years experience in finance and accounting. Mr. Schattle has a Bachelor's Degree in Accounting from the University of Rhode Island.

Peter A. Frazier, Esquire, Chief Legal Counsel. Mr. Frazier is RIAC's Chief Legal Counsel. He joined RIAC in February 2005. Prior to becoming RIAC's first in-house counsel, Mr. Frazier was a partner at the law firm of Holland & Knight LLP. Mr. Frazier has been admitted to the bars of Rhode Island, New York, California, and Arizona. He is a 1982 graduate of Miami University with a BA in economics. He earned his law degree *cum laude* from the University of Akron School of Law in 1989. In 1995, Mr. Frazier earned an LL.M. degree from McGill University's Institute of Air and Space Law.

Jason F. Doyle, CPA, Corporate Controller. Mr. Doyle joined RIAC as Corporate Controller in August 2004. Prior to joining RIAC, Mr. Doyle served as Regional Controller for a multinational provider of bus and rail transportation services. Mr. Doyle has over ten years of financial, auditing, and business experience. Mr. Doyle has a Bachelor's Degree in Accounting from the University of Rhode Island.

## **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 below. 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. Significant low-fare airline service was added at the Airport after the opening of the new terminal in September 1996; consequently, the number of passengers originating from or destined for areas outside the primary service area has increased. Many of these passengers use the Airport as an alternative to other airports in the region, particularly Boston - Logan International Airport.

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The Terminal's lower level is designed to facilitate arriving passengers and includes the baggage claim area as well as car rental and other ground transportation service counters. Arriving passengers proceed through the second level concourse to the center of the Terminal where they can take an elevator, escalator, or stairs to the lower level. Passengers exit the Terminal and proceed to hourly parking across the roadway from the Terminal, or to either private vehicles or various commercial vehicles. Passengers who use the parking garages exit the Terminal either on the lower or upper levels and walk directly to the parking garages via a covered walkway.

A total of approximately 6,960 public parking spaces are available on Airport property. They are divided as follows; an hourly lot in front of the terminal (Lot D) with approximately 570 spaces; a parking garage with approximately 1,340 spaces (Garage A); a garage with 750 spaces (Garage B); and a long-term lot with approximately 4,300 spaces (Lot E). Garage A, Garage B, Lot D and Lot E are operated pursuant to a concession agreement with The Parking Company, a Rhode Island limited partnership.

In addition, a privately-owned 1,500-space parking garage was opened in 1999 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, in exchange for which RIAC receives 10% of the gross revenues from the garage.

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 curbs 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 four lanes and a curbs to provide an unloading area for private vehicles. The lower level roadway has seven lanes and curbs designated loading zones for private vehicles and various commercial vehicles such as buses, courtesy vans, taxicabs and limousines. The roadway system is designed with clear signage and a one-way circulation pattern that separates recirculating Airport traffic from local roads.

The present airfield configuration consists of two intersecting runways. Runway 5/23 (7,166 feet by 150 feet wide) is the primary instrument air carrier and commuter runway. This runway is capable of serving aircraft as large as the Boeing 737, the McDonnell Douglas MD80 and the Boeing 757 series. Runway 16/34 (6,081 feet by 150 feet wide) is used as the secondary air carrier and commuter runway.

Both Runway 5/23 and Runway 16/34 are equipped with high intensity runway lighting systems. Runway 5/23 has centerline lighting and Runway 5 has touchdown zone lights. Precision instrument landing systems approaches are operational on Runway 5 (Cat III) and Runways 23 and 34 (Cat.I). Non-precision instrument approaches can be made to Runway 16.

Other facilities at the Airport include fuel storage areas, facilities for fixed base operators, certain rental car service facilities and air freight and air cargo facilities, various hangers and other aviation-related facilities.

There are five separate locations for aircraft parking at the Airport. The two primary areas are located along the north and west perimeters of the Airport. On the west side of the Airport, adjacent to and east of the terminal building is the passenger terminal apron. The majority of this apron is used for air carrier activity. The south portion of the passenger terminal apron is used for air carrier belly cargo activities and is supported by a multi-tenant cargo building. The ramp area on the north side of the Airport is currently used for general aviation, air cargo operations, fixed-base operators, and RIAC field operations.

### **Historical Enplanement Data**

The Airport, classified by the FAA as a medium hub facility based on its percentage of nationwide enplanements, ranked 56<sup>th</sup> nationwide in enplaned passengers for calendar year 2005 (preliminary). The table below presents historical enplaned passengers at the Airport and the nation between fiscal year 1995 and fiscal year 2005. As shown in the table below, passenger activity at the Airport increased from 1,198,872 enplanements

in fiscal year 1995 to 2,811,550 in fiscal year 2001. This increase represents a compounded annual growth rate of 15.3 percent during this period, compared to 2.8 percent growth nationwide. As also shown in the table below, the Airport's share of total U.S. enplaned passengers increased from 0.226 percent in fiscal year 1995 to 0.449 percent in fiscal year 2001, reflective of the higher compounded annual growth rate experienced at the Airport compared to that for the nation during this period.

Passenger activity at the Airport decreased from 2,811,550 enplanements in fiscal year 2001 to 2,625,661 in fiscal year 2004, an annual compounded decrease of 2.3 percent during this period. This decrease in activity at the Airport was primarily due to the effects of the terrorist attacks of September 11, 2001 and the nationwide economic slowdown. Enplanements at the Airport increased 8.9 percent in fiscal year 2005 from fiscal year 2004 levels, reaching a record high 2,858,917 enplanements for the Airport. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT." Through the first ten months of fiscal year 2006, the number of enplaned passengers at the Airport reached 2,313,590 passengers compared to 2,350,560 for the first ten months of fiscal year 2005.

### HISTORICAL ENPLANEMENTS

#### T.F. Green Airport

Fiscal Year	Airport Enplanements <sup>1</sup>	Airport Growth	U.S. Enplanements <sup>2</sup>	U.S. Growth	Share of U.S. Market
1995	1,198,872	-	530,000,000	-	0.226%
1996	1,077,634	- 10.1%	557,000,000	5.1%	0.193
1997	1,652,755	53.4	577,800,000	3.7	0.286
1998	2,184,395	32.2	590,400,000	2.2	0.370
1999	2,419,061	10.7	610,900,000	3.5	0.396
2000	2,651,589	9.6	641,200,000	5.0	0.414
2001	2,811,550	6.0	626,800,000	- 2.2	0.449
2002	2,688,847	- 4.4	574,500,000	- 8.3	0.468
2003	2,646,978	- 1.6	587,900,000	2.3	0.450
2004	2,625,661	- 0.8	628,500,000	6.9	0.418
2005	2,858,917	8.9	669,800,000 <sup>3</sup>	6.6	0.427
<b>Compounded Annual Growth Rate</b>					
		1995 – 2001		2.8%	
		2001 – 2005		1.7%	
		1995-2005	9.1%	2.4%	

<sup>1</sup> Fiscal year ending June 30.

<sup>2</sup> Fiscal year ending September 30.

<sup>3</sup> Estimated by the FAA.

Sources: RIAC

FAA

Prepared by: Ricondo & Associates, Inc.

### The State Lease Agreement

Pursuant to the State Lease Agreement, RIAC has leased the Airport from the State for a term ending June 30, 2036 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 Airport. In consideration of RIAC's assumption of RIDOT's responsibilities with respect to the Airport, the State and RIDOT have assigned to RIAC all of their rights to the revenues of the Airport, the proceeds of State G.O. Bonds related to the Airport, FAA and other grant agreements,

all contracts including concession agreements and the prior airline agreements, and all licenses and permits. RIDOT has included all of the property acquired to date for use as the site of the Intermodal Facility as part of its lease of the Airport to RIAC. Certain additional property rights, such as the acquisition of the air rights from Amtrak and other air rights easements, yet to be acquired, are anticipated to be added, upon acquisition, to the lease of the Airport.

## **THE INTERMODAL FACILITY**

### **Description of the Intermodal Facility**

The Intermodal Facility will include consolidated facilities for Airport rental car operations; a commuter rail train platform to provide access for MBTA commuter rail service south to Wickford, Rhode Island and north to both Providence and Boston; a 3,200 space parking garage including 2,200 spaces for rental car operators and 1,000 spaces for rail commuters; a drop-off zone for taxis and limousines serving commuters; and a short-term parking area for pick-up and drop-off. There will also be a bus stop on the west side of the facility along Jefferson Boulevard that will serve Rhode Island Public Transit Authority (RIPTA) buses. An elevated and enclosed skywalk system will connect the Intermodal Facility to the Airport Terminal over a distance of approximately 1,250 feet. Travel time between the Intermodal Facility and the Airport Terminal is estimated to be four minutes using the skywalk system. The Intermodal Facility will occupy six levels and include approximately 1.5 million square feet of space on a 283,000 square-foot footprint for both the structure and fueling platform. The Intermodal Facility will be constructed over a period of approximately three years with the DOO expected to be October 2009. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

## **PLAN OF FINANCE FOR THE INTERMODAL FACILITY**

RIAC and its Financial Advisor have developed a plan to fully fund construction of the Intermodal Facility. Estimated project costs and the anticipated sources of funding are summarized below. For a further description of the plan of finance, see "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

The actual costs to construct the Intermodal Facility may differ materially from the estimates. There is no assurance that RIAC can complete the Intermodal Facility within the estimated budget or construction schedule. RIDOT has agreed to assume certain obligations with respect to the construction and completion of the Intermodal Facility. See "SUMMARY OF THE PROJECT AGREEMENT," "Additional Funding for the Project" and "RISK FACTORS AND INVESTMENT CONSIDERATIONS."

## Estimated Construction Cost of the Intermodal Facility

The estimated cost for various elements of the Intermodal Facility is presented in the table below:

Project Element	Amount (\$millions)
Garage - Rental Car Spaces	\$ 47.0
Garage - Commuter Parking	28.1
Rental Car Customer and Service Facilities	40.1
Train Platform and Related Items	23.0
Land Acquisition and Site Development	14.7
Skywalk	43.5
Terminal Bridge	14.1
Tenant Improvements	12.0
Estimated Project Costs	\$ 222.5

The Intermodal Facility cost estimates were updated by RIDOT in March 2006 based on available information. The garage is at a 60% design level. Conceptual drawings have been completed for other elements, including the skywalk and rental car fuel system. As of the date of this Official Statement, no construction contracts have been entered into for any component of the Intermodal Facility. It is anticipated that construction contracts will be advertised and awarded beginning in the fall of 2007. The Intermodal Facility is expected to begin operation in October 2009.

## Description of Funding Sources

The projected sources of funding for the Intermodal Facility are summarized in the table below.

Source	Amount (\$millions)	% of Total
First Lien Bonds	\$ 39.7*	18%
TIFIA Bond	42.0	19
Federal Highway Grants	88.9	40
State Matching Grants	22.2	10
CFCs Collected Prior to DOO	<u>29.7</u>	<u>13</u>
Total Sources of Funding	\$ 222.5	100%

\*includes investment earnings during construction

Proceeds of Tax-Exempt Bonds. The financial plan projects that approximately \$39.7 million of Project Costs will be funded from the proceeds of the 2006 First Lien Bonds including investment earnings during construction.

TIFIA Bond Proceeds. Pursuant to the provisions of TIFIA, the USDOT has agreed to lend EDC up to \$42 million to pay or reimburse costs of construction pursuant to the TIFIA Loan Agreement. For a further discussion of the TIFIA Loan and the terms of the TIFIA Loan Agreement, see "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT."

Federal Highway Grants. A total of \$88.9 million of federal highway grants is projected to be available for the funding of the Intermodal Facility. In 1998, RIDOT received authorization to expend \$25 million of federal highway funds for the Intermodal Facility under the Transportation Equity Act for the 21<sup>st</sup> Century, Public Law 105-178 ("TEA-21"). In 2005, another \$25 million of federal highway grants was authorized to be appropriated for the Intermodal Facility pursuant to the Safe, Accountable, Flexible, and Efficient

Transportation Equity Act – A Legacy for Users (“SAFETEA-LU”). That amount consists of \$20 million available under Section 1934 (Transportation Improvement Project #364) and \$5 million under Section 1701 (High Priority Project #4857).

The remaining \$38.9 million of federal highway grants identified in the plan of finance will be funded from amounts available to RIDOT under the Federal Highway Administration’s Bridge Program. Under SAFETEA-LU, not less than 15 percent of the amount of federal highway funds apportioned to the State of Rhode Island for Highway Bridges is to be expended for bridge program projects located on public roads, other than those on the Federal-aid highway system or to complete the Intermodal Facility.

As of January 2006, approximately \$15.8 million of the federal grants had been expended by RIDOT for land acquisition, site remediation, and preliminary design of the Intermodal Facility.

State Matching Grants. The federal highway funding available for the Intermodal Facility requires a state match of 20% of eligible costs. The State of Rhode Island generally funds the match for federal projects from the proceeds of state general obligation bonds. Funding of the state matching grant is subject to annual appropriation of the Rhode Island General Assembly. A total of \$22.2 million of State grants is expected to be available.

CFCs collected prior to DOO. The financial plan assumes that approximately \$29.7 million of the CFCs collected prior to the DOO, will be applied toward costs of the Intermodal Facility on a pay-as-you-go basis. As of the date of this Official Statement, approximately \$23 million in CFCs have been collected and are available for costs of the Intermodal Facility. CFCs collected prior to the earlier to occur of DOO or the date on which all capitalized interest on the 2006 First Lien Bonds has been expended shall be deposited into the CFC Fund established under the Indenture.

#### **Additional Funding for the Project**

Under the Project Agreement, RIDOT has agreed that, in addition to the federal and State grants described in the prior section, it will provide funds to pay certain costs of the Intermodal Facility that exceed the estimated budget of \$222.5 million (except for costs relating to Tenant Improvements). The anticipated source of such funding will be federal Highway Bridge funds apportioned to RIDOT and the required state match. Such funding will be subject to annual appropriation by the United States Congress and the Rhode Island General Assembly. See “SUMMARY OF PROJECT AGREEMENT”

## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service for the 2006 First Lien Bonds and the estimated repayment schedule for the TIFIA Bond based on certain assumptions.

Bond Year Ending July 1	2006 First Lien Bonds*			Estimated TIFIA Bond Payments (1)*			Total Debt Service and TIFIA Bond Payments
	Principal	Interest (2)	Total First Lien Debt Service	Principal and Deferred Interest Payments (3)	Interest (4)	Total Payments	
2007	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-
2010	-	\$1,813,509	\$1,813,509	-	\$1,830,144	\$1,830,144	\$3,643,653
2011	\$570,000	2,418,013	2,988,013	-	2,449,144	2,449,144	5,437,157
2012	625,000	2,395,213	3,020,213	-	2,449,144	2,449,144	5,469,357
2013	700,000	2,363,963	3,063,963	-	2,449,144	2,449,144	5,513,107
2014	760,000	2,335,963	3,095,963	-	2,449,144	2,449,144	5,545,107
2015	845,000	2,297,963	3,142,963	-	2,449,144	2,449,144	5,592,107
2016	920,000	2,255,713	3,175,713	-	2,449,144	2,449,144	5,624,857
2017	1,005,000	2,209,713	3,214,713	-	2,449,144	2,449,144	5,663,857
2018	1,090,000	2,167,000	3,257,000	\$473,447	2,449,144	2,922,592	6,179,592
2019	1,190,000	2,112,500	3,302,500	498,777	2,423,815	2,922,592	6,225,092
2020	1,285,000	2,053,000	3,338,000	525,462	2,397,130	2,922,592	6,260,592
2021	1,390,000	1,988,750	3,378,750	553,574	2,369,018	2,922,592	6,301,342
2022	1,505,000	1,919,250	3,424,250	583,190	2,339,402	2,922,592	6,346,842
2023	1,625,000	1,844,000	3,469,000	614,391	2,308,201	2,922,592	6,391,592
2024	1,745,000	1,762,750	3,507,750	647,260	2,275,331	2,922,592	6,430,342
2025	1,875,000	1,675,500	3,550,500	681,889	2,240,703	2,922,592	6,473,092
2026	2,020,000	1,581,750	3,601,750	718,370	2,204,222	2,922,592	6,524,342
2027	2,160,000	1,480,750	3,640,750	756,803	2,165,789	2,922,592	6,563,342
2028	2,315,000	1,372,750	3,687,750	797,292	2,125,300	2,922,592	6,610,342
2029	2,480,000	1,257,000	3,737,000	839,947	2,082,645	2,922,592	6,659,592
2030	2,645,000	1,133,000	3,778,000	884,884	2,037,708	2,922,592	6,700,592
2031	2,830,000	1,000,750	3,830,750	932,225	1,990,367	2,922,592	6,753,342
2032	3,015,000	859,250	3,874,250	982,099	1,940,493	2,922,592	6,796,842
2033	3,215,000	708,500	3,923,500	1,034,642	1,887,950	2,922,592	6,846,092
2034	3,430,000	547,750	3,977,750	1,089,995	1,832,597	2,922,592	6,900,342
2035	3,645,000	376,250	4,021,250	1,148,310	1,774,282	2,922,592	6,943,842
2036	3,880,000	194,000	4,074,000	1,209,744	1,712,848	2,922,592	6,996,592
2037	-	-	-	4,489,317	1,648,126	6,137,443	6,137,443
2038	-	-	-	4,729,495	1,407,948	6,137,443	6,137,443
2039	-	-	-	4,982,523	1,154,920	6,137,443	6,137,443
2040	-	-	-	5,249,088	888,355	6,137,443	6,137,443
2041	-	-	-	5,529,914	607,529	6,137,443	6,137,443
2042	-	-	-	5,825,765	311,678	6,137,443	6,137,443
	\$ 48,765,000	\$ 44,124,547	\$ 92,889,547	\$ 45,778,400	\$ 65,549,659	\$ 111,328,059	\$ 204,217,606

<sup>1</sup> Based on assumed draws on available TIFIA funds. Repayment schedule may differ depending on actual timing and amount drawn to pay costs of the Intermodal Facility.

<sup>2</sup> Net of capitalized interest through October 1, 2009.

<sup>3</sup> Assumes maximum principal amount of \$42 million is drawn; column includes an estimated \$3.78 million of interest accrued but not paid prior to DOO.

<sup>4</sup> Assumes interest will accrue at a rate of 5.35% per annum from disbursement through October 1, 2009 and will be paid semi-annually on a current basis thereafter. The actual interest rate on the TIFIA Bond will be established on the date of issuance of the TIFIA Bond in accordance with federal regulations.

\*Figures may not add exactly due to rounding

## REPORT OF THE AIRPORT CONSULTANT

In connection with the issuance of the 2006 First Lien Bonds, RIAC has retained Ricondo & Associates, Inc. (the "Airport Consultant") to prepare the Report of the Airport Consultant dated June 6, 2006, attached hereto as APPENDIX A. The Report of the Airport Consultant provides information on the Intermodal Facility and historical airline and rental car activity at the Airport, and describes key factors that will affect future airline traffic and rental car activity. It also presents projections of airline traffic and rental car activity, Facility Revenues and debt service and expenses and sets forth the assumptions upon which the financial forecasts are based.

Presented below is a table setting forth projected Facility Revenues and projected debt service coverage with respect to the 2006 First Lien Bonds and the 2006 TIFIA Bond.

### DEBT SERVICE COVERAGE

(Fiscal Years Ending June 30)

		Projected				
		2010 <sup>1</sup>	2011	2012	2013	2014
Facility Revenues	[A]	\$6,357,000	\$8,664,000	\$8,841,000	\$9,072,000	\$9,251,000
Less: Operating and Maintenance Costs	[B]	<u>(1,904,000)</u>	<u>(2,618,000)</u>	<u>(2,701,000)</u>	<u>(2,785,000)</u>	<u>(2,872,000)</u>
Net Facility Revenues	[C] = [A]+[B]	\$4,453,000	\$6,046,000	\$6,140,000	\$6,287,000	\$6,379,000
Plus: Investment Income	[D]	<u>304,000</u>	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>	<u>354,000</u>
Pledged Revenues	[E] = [C]+[D]	\$4,757,000	\$6,400,000	\$6,494,000	\$6,641,000	\$6,733,000
Debt Service <sup>2</sup>						
Series 2006 Bonds -- First Lien	[F]	\$1,971,000	\$3,223,000	\$3,263,000	\$3,305,000	\$3,343,000
TIFIA Bond -- Second Lien	[G]	<u>1,873,000</u>	<u>2,498,000</u>	<u>2,498,000</u>	<u>2,498,000</u>	<u>2,498,000</u>
TOTAL DEBT SERVICE	[H] = [F] + [G]	\$3,844,000	\$5,721,000	\$5,761,000	\$5,803,000	\$5,841,000
Debt Service coverage ratio— First Lien Obligations	[E] / [F]	2.41	1.99	1.99	2.01	2.01
Debt Service coverage ratio-- First and Second Lien Obligations	[E] / [H]	1.24	1.12	1.13	1.14	1.15

<sup>1</sup>Fiscal year 2010 represents nine months of Intermodal Facility operations.

<sup>2</sup>Debt Service amounts for the 2006 First Lien Bonds and the 2006 TIFIA Bond reflect pro forma debt assumptions in APPENDIX A – REPORT OF THE AIRPORT CONSULTANT. Actual debt service on the 2006 First Lien Bonds is lower than the pro forma debt service assumed in the REPORT OF THE AIRPORT CONSULTANT. The debt service on the 2006 TIFIA Bond will not be established until the date of delivery of the 2006 TIFIA Bond. For the actual 2006 First Lien Bonds debt service and an updated pro forma debt service for the 2006 TIFIA Bond see "ANNUAL DEBT SERVICE REQUIREMENTS" above.

The Report of the Airport Consultant should be read in its entirety for a complete understanding of the assumptions and forecasts contained therein. In preparing the report, the Airport Consultant used techniques that it believes are consistent with industry practices for similar studies in connection with revenue bond sales. Although the Airport Consultant believes the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in the Report of the Airport Consultant, therefore, is dependent upon the occurrence of future events, and variations may be material.

## **FORWARD LOOKING STATEMENTS**

This Official Statement contains statements relating 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 result to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

## **RISK FACTORS AND INVESTMENT CONSIDERATIONS**

The following is a discussion of certain risk factors that should be considered in evaluating an investment in the 2006 First Lien Bonds. This discussion does not purport to be either comprehensive or definitive.

### **Completion of the Intermodal Facility**

**General.** The ability of RIAC to complete the construction of the Intermodal Facility within budget and on schedule may be adversely affected by various factors, including design and engineering errors, unforeseen site conditions, labor cost increases or other difficulties, adverse weather conditions, unavailability or increased costs of building materials, contractor defaults, and litigation. Although each Rental Car Company is required to collect and remit CFCs each month pursuant to Rhode Island statute and the Concession Agreement, failure to complete the Intermodal Facility in a timely manner could adversely affect the ability of the Rental Car Companies to supply a sufficient number of rental vehicles to accommodate the corresponding demand, thus reducing the projected amount of Facility Revenues. See “THE INTERMODAL FACILITY.”

**Availability of Contingent RIDOT Funding.** RIDOT is authorized to use a portion of the federal funds it receives for bridge rehabilitation and replacement for funding cost overruns with respect to certain components of the Intermodal Facility. The average annual amount of federal funding apportioned to Rhode Island for bridges in fiscal years 2005 and 2006 was \$58.7 million. The timing and availability of the federal bridge funding and the required state matching grants are subject to certain conditions, including annual appropriation by the United States Congress and the Rhode Island General Assembly.

**CFC Collections prior to DOO.** Approximately \$29.7 million of Project Costs are expected to be funded with CFCs on a pay-as-you-go basis. CFC collections from July 2001 through April 2006 total approximately \$23 million. The remaining \$6.7 million is expected to be collected during construction. No assurance can be given that CFC collections over that period will be sufficient to enable RIAC to complete the Intermodal Facility on a timely basis.

**Permits and Governmental Approvals.** A number of permits and governmental approvals yet to be obtained by RIAC will be required to complete the Intermodal Facility. Building permits, State fire marshal approvals including, but not limited to, those required for the fueling system, and other approvals and permits have yet to be obtained by RIAC. There can be no assurance that all permits and governmental approvals

required to complete the Intermodal Facility will be obtained or obtained within the time periods projected by RIAC and its consultants.

***Ability to Obtain Amtrak Air Rights.*** The acquisition of air rights from Amtrak is needed to complete the Intermodal Facility. Obtaining such air rights is also a condition precedent to the Concession Agreement. By letter dated May 30, 2006, (the "May 30 letter"), Amtrak has communicated to James V. Capaldi, P.E., Director of RIDOT, Amtrak's full support of Rhode Island's efforts to extend commuter rail service to points south of Providence. Amtrak also communicated in the May 30 letter that it looks forward to working closely with RIDOT to make such plans a reality. The foregoing notwithstanding, the May 30 letter sets forth a number of goals, plans and agreements which must be completed in the future to acquire the necessary rights from Amtrak. There can be no assurance that such goals, plans and agreements will be completed and the rights from Amtrak will be acquired. Also, as noted in "SUMMARY OF THE TIFIA LOAN AGREEMENT," until such time as RIAC provides the FHWA with all necessary approvals and permits, including the air rights easement, required from Amtrak for the specific elements of the Intermodal Facility which require Amtrak approval, RIAC may only requisition from proceeds of the 2006 TIFIA Bond thirty-three (33%) percent of all Eligible Project Costs. RIAC requisitions for Eligible Project Costs may not include any elements of the Intermodal Facility which require approvals and permits from Amtrak until such approvals and permits, including the air rights easement, have been obtained and provided to the FHWA. RIAC may not requisition any design and engineering costs for elements of the Intermodal Facility which require approvals and permits from Amtrak until such approvals and permits have been obtained.

#### **Achievement of Projections**

***General.*** The forecast of Facility Revenues in this Official Statement are based upon a number of assumptions and estimates. Inevitably, some underlying assumptions and projections used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast periods will vary from the forecasts, and such differences may be material.

***CFC Collections.*** The forecast of CFCs in this Official Statement are based upon numerous assumptions related to future passenger levels and rental car activity at the Airport. Factors affecting aviation activity and the rental of motor vehicles at the Airport include the service and route networks of various airlines; the financial health and viability of the airline and rental car industries; levels of disposable income; national and international economic and political conditions, including disruptions caused by airline incidents, acts of war and terrorism; the availability and price of aviation fuel and gasoline; and levels of air fares and car rental rates at the Airport. See "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT."

***Commuter Parking Revenue.*** Projections of potential commuter parking revenue are based in part on an assumption of 70% daily occupancy of the 1,000 available commuter parking spaces. That level of use presumes initiation and continuation of transit rail and bus service at the Intermodal Facility. The Rhode Island Public Transit Authority has no obligation to initiate or maintain bus service and there are no current plans to initiate Amtrak service. RIDOT and the MBTA have entered into certain agreements currently set to expire in 2009 pursuant to which MBTA and RIDOT have agreed to negotiate the terms of rail service to the Intermodal Facility in Warwick and to Wickford. RIDOT anticipates reaching final agreement with MBTA concerning such rail service but there can be no assurance that such final agreements will be reached. In addition, in order for MBTA rail service to commence at the Intermodal Facility, a track access agreement with Amtrak will be required. There can be no assurance that such an agreement will be obtained.

***Maintenance Costs.*** Pursuant to the Indenture, Operating and Maintenance Costs will be paid from Facility Revenues prior to the payment of debt service and other requirements under the Indenture. As defined in the Indenture, Operating and Maintenance Costs include all expenses incurred by RIAC for the operation, maintenance, administration, and ordinary current repairs of the Intermodal Facility. Projections of Operating and Maintenance Costs provided in this Official Statement are based on reasonable assumptions, but there can be no

assurance that such costs will not be materially higher than anticipated. Contracts for operation and maintenance of the parking facilities and skywalk system are scheduled to be negotiated in 2009.

### **Dilution of First-Lien Security Upon Bankruptcy-Related Event**

As detailed under “SOURCES OF PAYMENT AND SECURITY FOR THE 2006 FIRST LIEN 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 the USDOT acting by and through the Federal Highway Administration 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 2006 First Lien 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 EDC 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 2006 FIRST LIEN BONDS.*** See “SOURCES OF PAYMENT AND SECURITY FOR THE 2006 FIRST LIEN 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 Code 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 2006 First Lien Bonds will be qualified to the extent that the enforceability of certain legal rights related to the 2006 First Lien 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.

### **Damage and Destruction**

RIAC will maintain insurance in the amount and against such risks as are customarily insured against on Airport property. However, there can be no assurance that the Intermodal Facility will not suffer extraordinary and unanticipated losses, for which insurance cannot be or has not been obtained, or that the amount of any such loss for the period during which the Intermodal Facility is not available for use, will not exceed the coverage of such insurance policies.

### **Considerations under the Bankruptcy Code**

In the event a bankruptcy case is filed with respect to a Rental Car Company, a bankruptcy court could reject the Concession Agreement. In such event, such Rental Car Company would be in default under its Concession Agreement permitting RIAC to cancel such agreement and remove such Rental Car Company 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 Rental Car Companies are unable to increase their capacity to accommodate additional customers.

Similarly, if any airline that has executed 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.

### **Determination of Taxability**

Failure of EDC or RIAC to comply with certain tax covenants could cause interest on the 2006 First Lien Bonds to lose the exclusion from gross income for federal income tax purposes, as described in the "Tax Matters" section herein.

### **Events of Force Majeure**

Construction and operation of the Intermodal Facility are 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. Construction or operations may also be stopped or delayed from non-casualty events such as discovery of archaeological artifacts, changes in law, delays in obtaining or renewing EDC/RIAC required permits, revocation of such permits and approvals and litigation, among other things.

## **LITIGATION**

There is no litigation pending in any court or, to best of the knowledge of EDC or RIAC, threatened, questioning the corporate existence of EDC or RIAC, or the title of the present Directors or Officers of EDC or RIAC to their respective offices, seeking to restrain, enjoin or alter the construction and development of the Intermodal Facility or seeking to restrain or enjoin the issuance or delivery of the 2006 First Lien Bonds, or concerning the proceedings of EDC or RIAC taken in connection with the 2006 First Lien Bonds or the pledge of the Trust Estate or application of any Facility Revenues provided for their payment or contesting the powers of EDC or RIAC with respect to the foregoing.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the 2006 First Lien Bonds are subject to approval of legality by Burns & Levinson LLP ("*Bond Counsel*"), whose opinion will be printed on the 2006 First Lien Bonds. Attached hereto as "APPENDIX F – FORM OF BOND COUNSEL OPINION" is the form of opinion that Bond Counsel will render in connection with the issuance of the 2006 First Lien Bonds. In its capacity as Bond Counsel, such firm has reviewed the information relating to the 2006 First Lien Bonds under the captions "INTRODUCTION", "PLAN OF FINANCE", "THE 2006 FIRST LIEN BONDS" (except for information under the subheading "Book-Entry-Only System"), "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 FIRST LIEN BONDS", "LEGAL MATTERS", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE", "APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT", and "APPENDIX F – FORM OF BOND COUNSEL OPINION" and such firm is of the opinion that the information contained under such captions and in such appendices is a fair and accurate summary of the information purported to be shown therein and is correct as to matters of law.

The various legal opinions to be delivered concurrently with the delivery of the 2006 First Lien Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX MATTERS

### Opinion

On the date of initial delivery of the 2006 First Lien Bonds, Bond Counsel will render its opinion with respect thereto as follows:

In the opinion of Bond Counsel, under existing law, interest on the 2006 First Lien Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; *provided, however*, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. No opinion will be expressed with respect to any other federal tax consequences of the receipt or accrual of interest on the 2006 First Lien Bonds.

In the opinion of Bond Counsel, under existing law, except for estate, inheritance and gift taxes, the 2006 First Lien Bonds and income derived therefrom (including gain on sale or exchange) are exempt from State taxes, although the 2006 First Lien Bonds and the interest thereon may be included in the measure of certain State business and corporate taxes. No opinion will be expressed with respect to any other State tax consequences of the receipt or accrual of interest on the 2006 First Lien Bonds.

See APPENDIX F - FORM OF BOND COUNSEL OPINION

Ownership of the 2006 First Lien Bonds may result in other collateral federal income tax consequences to certain taxpayers, including without limitation corporations subject to the environmental tax, banks, thrift institutions and other financial institutions, foreign corporations which conduct a trade or business in the United States, property and casualty insurance corporations, S corporations, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the 2006 First Lien Bonds. Purchasers of the 2006 First Lien Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

In rendering its opinion, Bond Counsel will: (i) rely as to certain factual matters upon representations of the EDC and RIAC with respect to, among other things, the use of the proceeds of the 2006 First Lien Bonds without undertaking to verify the same by independent investigation, and (ii) assume the continued compliance with requirements of the Code by the EDC and RIAC with their covenants relating to the use of the proceeds of the 2006 First Lien Bonds. The inaccuracy of any such representation or noncompliance with such covenants may cause interest on the 2006 First Lien Bonds to become includable in gross income for federal income tax purposes retroactive to the date of the issuance thereof.

Bond Counsel's opinion represents its legal judgment based in part on the representations and covenants referenced above, but such opinion is not a guarantee of result or binding on the Internal Revenue Service or state or federal courts. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to its attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

The Internal Revenue Service (the "Service") has a program to audit state and local government obligations to determine whether the interest thereon is includable in gross income for federal income tax purposes. If the Service audits the 2006 First Lien Bonds, under current Service procedures, the Service will treat the EDC as the taxpayer and the owners of the 2006 First Lien Bonds will have only limited rights, if any, to participate therein.

## **Original Issue Discount and Premium**

In the opinion of Bond Counsel, any original issue discount in the selling price of the 2006 First Lien Bonds, to the extent properly allocable to an owner thereof, is excluded from gross income for federal income tax purposes with respect to such owner. "Original issue discount" is the excess of the stated redemption price at maturity of a bond over the initial offering price to the public (excluding underwriters and other intermediaries) at which price a substantial amount of the 2006 First Lien Bonds of such maturity are sold.

Under Sections 1272 and 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues during any accrual period generally equals: (i) the issue price plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity (determined by compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the holder's tax basis for purposes of determining gain or loss upon disposition (including redemption or payment at maturity).

The foregoing is a general discussion of federal income tax consequences of original issue discount and does not purport to deal with all tax questions that may be relevant to particular investors or circumstances, including purchasers of 2006 First Lien Bonds in the secondary market. Owners of 2006 First Lien Bonds should consult their tax advisors with respect to such issues and with respect to state and local tax consequences of original issue discount.

Certain maturities of the 2006 First Lien Bonds may be sold at prices in excess of the principal amount thereof. Under the Code, the excess of an owner's cost basis of a bond over the principal amount of such bond (other than a bond held as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium". For federal income tax purposes, bond premium is amortized over the term of the related bond. An owner of such a bond will therefore be required to decrease its basis by the amount of amortizable bond premium attributable to each taxable year it holds the bond. The amount of amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of 2006 First Lien Bonds at a premium should consult their own tax advisors with respect to the treatment of bond premium upon sale, redemption or other disposition.

## **CONTINUING DISCLOSURE OF INFORMATION**

The Underwriter has determined that no financial or operating data concerning EDC is material to any decision to purchase, hold or sell the 2006 First Lien Bonds and EDC will not provide any such information. RIAC has undertaken all responsibilities for any continuing disclosure to Bondowners or beneficial owners of the 2006 First Lien Bonds as described below, and EDC shall have no liability to the Bondowners or beneficial owners of the 2006 First Lien Bonds or any other person with respect to such disclosure.

In the Indenture RIAC has agreed to make continuing disclosures for the benefit of the holders and beneficial owners of the 2006 First Lien Bonds. RIAC is required to observe the agreement for so long as it remains obligated under the Indenture and the EDC Loan Agreement. Under the continuing disclosure agreement, RIAC will be obligated to provide certain updated financial information and operating data to Nationally Recognized Municipal Securities Information Repositories ("NRMSIRs") annually, and timely notice of specified material events, to NRMSIRs.

RIAC has previously entered into an agreement pursuant to Securities and Exchange Commission Rule 15c2-12 (the "Rule") in connection with the issuance of bonds by RIAC in prior years under which RIAC agreed to provide copies of certain financial information annually along with its audited financial statements when available. Some, but not all, of the required annual financial information was sent annually by RIAC to the Trustee as required by RIAC's previous agreements. In the course of preparation for the issuance of a previous RIAC bond issue, it came to the attention of RIAC that the Trustee, as Dissemination Agent under the agreements for other RIAC bonds, had failed to file with the NRMSIRs some of the annual financial information and audited financial statements as required. Since this discovery, the Trustee has filed with the NRMSIRs copies of the required annual financial information of RIAC and the required audited financial statements. The Trustee has also filed the required notice under the Rule with respect to a failure of any person required by the Rule to file annual financial information. The Trustee and RIAC have put in place policies and procedures designed to ensure that RIAC's annual financial information is filed by the Trustee on a timely basis with the NRMSIRs in the future.

### **Annual Reports**

RIAC will provide certain updated financial information and operating data to the NRMSIRs annually. The information to be updated includes all quantitative financial information and operating data with respect to the Intermodal Facility of the type included in this Official Statement under the headings "SOURCES OF PAYMENT AND SECURITY FOR THE 2006 FIRST LIEN BONDS" in "Customer Facility Charges," included in the table of information relating to enplanements at the Airport of the type specified under the heading "THE AIRPORT – Historical Enplanement Data" commencing with such information for 2006 and, commencing with the fiscal year following the fiscal year in which the DOO occurs, annual updates of information of the type set forth in "APPENDIX A – REPORT OF THE AIRPORT CONSULTANT" contained in Table 5.3 "Operating and Maintenance Costs" and Table 5.4 "Facility Revenues" provided, however, that RIAC may furnish such information in any format reasonably selected by RIAC including, but not limited to, as a portion of information included in RIAC's annual audit report.

### **Material Event Notices**

RIAC will also provide timely notices of certain events to each NRMSIR. RIAC will provide notice of any of the following events with respect to the 2006 First Lien Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the 2006 First Lien Bonds; (7) modifications to rights of holders of the 2006 First Lien Bonds; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the 2006 First Lien Bonds; and (11) ratings changes. In addition, RIAC will provide timely notice of any failure by RIAC to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." RIAC will provide each notice described in this paragraph to any NRMSIR.

### **Availability of Information from NRMSIRs**

RIAC has agreed to provide the foregoing information only to NRMSIRs. The information will be available to Owners only if the Owners comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

### **Limitations and Amendments**

RIAC has agreed to update information and to provide notices of material events only as described above. RIAC has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. RIAC makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the 2006 First Lien Bonds at any future date. RIAC disclaims any

contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of 2006 First Lien Bonds may seek a writ of mandamus to compel RIAC to comply with its agreement.

RIAC may amend, supplement, or repeal its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Intermodal Facility, but only if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell 2006 First Lien Bonds in the primary offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding 2006 First Lien Bonds consent to the agreement or (b) any person unaffiliated with RIAC (such as nationally-recognized bond counsel) determines that the amendment will not materially impair the interest of the holders and beneficial owners of the 2006 First Lien Bonds. RIAC may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the 2006 First Lien Bonds in the primary offering of the 2006 First Lien Bonds.

## **RATINGS**

The 2006 First Lien Bonds have received ratings of “Aaa” and “AAA,” from Moody’s Investors Service, Inc. and Standard & Poor’s Credit Market Services, Inc., respectively, with the understanding that upon delivery of the 2006 First Lien Bonds, a policy insuring the payment when due of the principal of and interest on the 2006 First Lien Bonds will be issued by the Insurer. The 2006 First Lien Bonds have underlying ratings of Baa1 from Moody’s Investors Service, Inc. and BBB+ from Standard & Poor’s Credit Market Services, Inc.

An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such companies at the time such ratings are given, and neither EDC nor RIAC makes any representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such companies, if in the judgment of such companies circumstances so warrant. Any such downward revisor or withdrawal of any rating may have an adverse effect on the market price of the 2006 First Lien Bonds.

See “BOND INSURANCE” for information about the bond insurance policy.

## **FINANCIAL ADVISORS**

The EDC has retained First Southwest Company (the “EDC Financial Advisor”) to serve as its financial advisor in connection with the issuance of the 2006 First Lien Bonds. RIAC has retained Fullerton & Friar, Inc. (the “RIAC Financial Advisor”) to serve as its financial advisor in connection with the issuance of the 2006 First Lien Bonds. Neither the EDC Financial Advisor nor the RIAC Financial Advisor has independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. The EDC Financial Advisor’s fee and the RIAC Financial Advisor’s fee for services rendered with respect to the sale of the 2006 First Lien Bonds is contingent upon the issuance and delivery of the 2006 First Lien Bonds, and receipt by the EDC of payment therefor. The EDC may engage the EDC Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of 2006 First Lien Bond proceeds.

## **UNDERWRITING**

Bear, Stearns & Co. Inc., as representative of the Underwriters (the “Underwriters”) of the 2006 First Lien Bonds has agreed, subject to certain customary conditions to delivery, to purchase the 2006 First Lien Bonds

from the EDC at an underwriting discount of \$312,836 from the initial public offering prices therefor set forth on the inside cover page of this Official Statement. The Underwriters of the 2006 First Lien Bonds will be obligated to purchase all of the obligations if any obligations are purchased. The 2006 First Lien Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

### **OTHER MATTERS**

The financial data and other information contained herein have been obtained from RIAC's records, financial statements, and other sources that are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of documents referenced herein do not purport to be complete statements of the provisions of such documents and reference is made to such documents for further information. Reference is made to original documents in all respects. Copies may be obtained from RIAC.

### **RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

By: /s/ Richard C. Reed  
Deputy Director

### **RHODE ISLAND AIRPORT CORPORATION**

By: /s/ Mark P. Brewer  
President and Chief Executive Officer

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## APPENDIX A

Rhode Island Economic Development Corporation  
First Lien Special Facility Revenue Bonds  
(Rhode Island Airport Corporation Intermodal Facility Project)  
Series 2006

### Report of the Airport Consultant

Ricondo & Associates, Inc.  
36 East Fourth Street, Suite 1206  
Cincinnati, OH 45202  
513.651.4700 telephone  
513.412.3570 facsimile

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June 6, 2006

Mr. Saul Kaplan  
Acting Executive Director  
Rhode Island Economic Development Corporation  
One West Exchange Street  
Providence, RI 02903-1064

Mr. Mark P. Brewer, A.A.E.  
President and CEO  
Rhode Island Airport Corporation  
2000 Post Road  
Warwick, RI 02886-1533

**Re: Rhode Island Economic Development Corporation  
First Lien Special Facility Revenue Bonds  
(Rhode Island Airport Corporation Intermodal Facility Project)  
Series 2006  
Appendix A: Report of the Airport Consultant**

Dear Mr. Kaplan and Mr. Brewer:

This report sets forth findings, assumptions, and projections of the air traffic, resulting car rental demand, and financial analyses developed by Ricondo & Associates, Inc. in conjunction with the planned issuance by the Rhode Island Economic Development Corporation (EDC) of its First Lien Special Facility Revenue Bonds, Series 2006 (the Series 2006 Bonds), Tax Exempt Bonds not subject to alternative minimum tax (AMT), for Rhode Island Airport Corporation's (RIAC) design and construction of the Intermodal Facility at T. F. Green Airport (Airport). This report is intended for inclusion in the Official Statement for the Series 2006 Bonds as Appendix A: Report of the Airport Consultant.

EDC was established by the General Assembly of the State of Rhode Island as a public corporation, governmental agency, and public instrumentality having a legal existence distinct from the State of Rhode Island. EDC is empowered, among other things, to issue its bonds and to loan the proceeds to various borrowers in the State of Rhode Island, including RIAC, to promote the economic development of the State of Rhode Island. RIAC was created by EDC on December 9, 1992 as a subsidiary public corporation, governmental agency, and public instrumentality having a legal existence distinct from the State of Rhode Island and EDC and having many of the same powers and purposes of EDC.

EDC has authorized the issuance of the Series 2006 Bonds, the proceeds of which, together with proceeds from the U.S. Department of Transportation's Transportation Infrastructure Finance and Innovation Act (TIFIA) loan (the TIFIA Bond), Customer Facility Charges (CFCs), federal and state grants, and investment income, will finance the Intermodal Facility at the Airport. The Series 2006 Bonds are First Lien Obligations and will be secured by Facility Revenues. Facility Revenues consist of the revenues collected by or on behalf of RIAC generated by the operation of the Intermodal Facility, including: (i) CFCs; (ii) fees paid by Rental Car Companies pursuant to Section 14.5 of the Concession Agreement (but excluding privilege fees and deficiency fees thereon paid by Rental Car



**Mr. Saul Kaplan and Mr. Mark P. Brewer, A.A.E.**  
**Rhode Island Economic Development Corporation**  
**Rhode Island Airport Corporation**  
**June 6, 2006**

Companies pursuant to the Concession Agreement); (iii) commuter parking revenues, (iv) payments by parties other than Rental Car Companies under concession or lease agreements relating to the Intermodal Facility; and (v) payments by parties other than Rental Car Companies for access to or use of the skywalk system included in the Intermodal Facility (but excluding privilege fees and deficiency fees thereon paid by such parties). The TIFIA Bond is a Second Lien Obligation and will also be paid from Facility Revenues. The Series 2006 Bonds and the TIFIA Bond will not be payable from or secured by a lien on or pledge of any revenues generally available to the EDC or RIAC other than Facility Revenues and amounts in Pledged Funds as specifically described in the Indenture of Trust (the "Indenture") dated June 1, 2006. For example, airline fees and charges, Airport terminal building concession revenues, rental car privilege fees, and any other Airport revenues will not secure the Series 2006 Bonds or the TIFIA Bond (or any subsequent obligations issued under the Indenture).

The Intermodal Facility is being designed and constructed by RIAC or the Rhode Island Department of Transportation (RIDOT) at or adjacent to the Airport for train, bus, commuter, and rental car access to and egress from the Airport, which will include a train station and platforms, a bus pick-up and drop-off area, commuter parking spaces, a skywalk system, and exclusive and common parking, storage, retail and operating space for rental car companies. The commuter rail will provide train service south to Wickford Junction and north to Providence and Boston. Bus service will be provided by the Rhode Island Public Transit Authority (RIPTA) and the parking garage will consist of 3,200-spaces that will provide parking for commuters and rental car operators serving the Airport. Additional portions of the facility will include a rental car customer service operations (CSO) area; fueling facilities and quick turn around (QTA) facilities for the rental car companies, and an enclosed elevated system of moving walkways connecting the facility to the Airport. The Intermodal Facility will occupy six levels and include approximately 1.5 million square feet of space. It will be located approximately 1,250 feet from the Airport terminal, with this distance traveled using a system of moving walkways in approximately four minutes.

Based on the assumptions and analyses described in this report, we provide the following findings and opinions:

***Economic Base***

- Offering a variety of business, cultural, recreational, and educational resources and opportunities, the economic base of the Airport's Air Trade Area, as defined in this report, is strong and diversified and is capable of supporting increased demand for air travel and rental car activity at the Airport during the projection period (defined herein as the period 2006 through 2014).
- Population growth experienced in the Air Trade Area between 1990 and 2005 was equal to that for New England during this same period. A similar trend in population growth for the Air Trade Area is projected to continue through at least 2015.
- Between 1999 and 2004, per capita effective buying income (EBI) for the Air Trade Area increased at a rate that was comparable to that for New England and the nation during



**Mr. Saul Kaplan and Mr. Mark P. Brewer, A.A.E.**  
**Rhode Island Economic Development Corporation**  
**Rhode Island Airport Corporation**  
**June 6, 2006**

this same period. According to Sales and Marketing Management magazine, continued strong growth in per capita EBI for the Air Trade Area is expected between 2004 and 2009.

- Average annual unemployment rates for the Air Trade Area were generally below or comparable to those for the nation each year between 1998 and 2005.

#### ***Air Traffic***

- Passenger activity is correlated to demand for rental cars and will serve as the basis for projecting future rental car demand at the Airport.
- The Airport, classified by the Federal Aviation Administration (FAA) as a medium hub facility based on its percentage of nationwide enplanements, ranked 56<sup>th</sup> nationwide in total passengers enplaned and deplaned in calendar year (CY) 2005 (preliminary) with 5.7 million enplaned and deplaned passengers.<sup>1</sup>
- As of June 2006, the Airport had scheduled passenger service provided by 19 U.S. flag carriers and one foreign flag carrier. The Airport has had the benefit of a relatively large and stable major/national air carrier base, which has helped promote competitive pricing and scheduling diversity in the Airport's major markets.
- Southwest's share of Airport enplanements increased from 24.8 percent in fiscal year (FY) 1998 (the first full fiscal year of service by Southwest at the Airport) to 36.9 percent in FY 2005.<sup>2</sup> This increased market share was due to the steady expansion of service at the Airport during this period. Six other major U.S. passenger airlines and their regional affiliates accounted for an additional 56.7 percent of total enplanements at the Airport in FY 2005.
- As of June 2006, daily nonstop service was provided to 22 cities with a total of 117 daily flights. Thirteen of the Airport's top 20 origin-destination (O&D) markets have daily nonstop service with a total of 67 flights.
- Passenger activity at the Airport increased from 1.2 million enplanements in FY 1995 to 2.8 million in FY 2001. This increase represents a compounded annual growth rate of 15.3 percent during this period, compared to 2.8 percent nationwide. As a result of this higher compounded annual growth rate, the Airport's share of total U.S. enplaned passengers increased from 0.226 percent in FY 1995 to 0.449 percent in FY 2001.
- The effects of the terrorist attacks on September 11, 2001 (hereinafter referred to as September 11) and the nationwide economic slowdown, as well as US Airways' elimination of its MetroJet operations nationwide in December 2001, caused passenger

<sup>1</sup> ACI Traffic Data 2005 (preliminary), Airports Council International.

<sup>2</sup> The Airport's fiscal year is the 12-month period ending June 30<sup>th</sup>.

**Mr. Saul Kaplan and Mr. Mark P. Brewer, A.A.E.**  
**Rhode Island Economic Development Corporation**  
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**June 6, 2006**

activity at the Airport to decrease from 2.8 million enplanements in FY 2001 to 2.7 million in FY 2002.

- The Airport has since recovered from the effects of September 11, reaching a record high 2.9 million enplanements in FY 2005. A number of factors contributed to the significant enplanement growth that the Airport experienced in FY 2005 from FY 2004 levels. Spirit Airlines and Independence Air initiated low-fare service at the Airport in FY 2005, and Southwest continued its expansion of service at the Airport with two additional nonstop frequencies offered in FY 2005.<sup>3</sup>
- Through the first 10 months of FY 2006, the number of enplaned passengers at the Airport reached 2,313,590 passengers, compared to 2,350,560 for the first 10 months of FY 2005. Several factors are expected to influence the enplanement levels at the Airport for FY 2006: (1) Through the first 10 months of FY 2006, the number of enplaned passengers for Southwest at the Airport were approximately 120,000 higher than for the similar period in FY 2005 (approximately 14 percent higher); (2) Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005; and ceased operations nationwide on January 6, 2006; and (3) American replaced its mainline service to Chicago at the Airport with its code-share partner American Eagle and discontinued its mainline service to Dallas in April 2006.

#### ***Rental Car Demand***

- The Airport is currently provided rental car service by ten companies that rent parking garage space or terminal building space (or both) from RIAC. Six of these companies have provided service at the Airport since the opening of the new Airport terminal building in September 1996. As of the date of this report, RIAC has executed a Concession Agreement with nine of the ten companies currently serving Airport customers. The last remaining company has confirmed in writing to RIAC its intent to execute the Concession Agreement upon completion of internal reviews. Each of the companies with an executed Concession Agreement will operate from the Intermodal Facility when it opens.
- Currently, there are no off-Airport rental car companies (companies that do not rent parking garage or terminal building space from RIAC) serving Airport customers. RIAC does not anticipate any future off-Airport service and, in any case, expects that any future off-Airport service would not be significant. Once the Intermodal Facility is open, any future off-Airport rental car company serving Airport customers will be required to (1) pick up and drop off customers at the Intermodal Facility and (2) charge customers a CFC and remit collections to RIAC.

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<sup>3</sup> Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005, and ceased operations nationwide on January 6, 2006.

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**Rhode Island Economic Development Corporation**  
**Rhode Island Airport Corporation**  
**June 6, 2006**

- Gross rental car sales at the Airport declined following CY 2001 (as a result of the events of September 11) but rebounded somewhat in CY 2004 and CY 2005 as passenger activity returned—consistent with U.S. rental car industry revenue growth.
- Rental car transaction days, which are the basis for CFC collections at the Airport, increased 6.6 percent from FY 2004 to FY 2005, and increased 5.1 percent for the first ten months of FY 2006 compared to the same period for FY 2005. Prior to FY 2005, rental car transaction days at the Airport (and a number of other U.S. airports) declined following the downturn in the U.S. economy and the downturn in passenger activity nationwide following the events of September 11.
- RIAC began charging a CFC of \$3.75 per day in July 2001. Based on monthly rental car gross sales data for June, July, and August 2001, it does not appear that the implementation of the CFC had a negative effect on rental car demand at the Airport. Planned CFC level increases over the next three years (with the CFC reaching \$4.50 in January 2009) are not expected to have a material impact on rental car demand at the Airport.

Although the Airport currently has the highest CFC in the New England region at \$3.75 per day, weekend car rental rates at the Airport (including CFC charges and all other charges and taxes) are lower than five of six other New England/Northeast airports (Albany, Boston, Burlington, Hartford, Manchester, and Portland) and weekday car rental rates are competitive. Phoenix and Dallas have the highest CFC levels in the nation (at \$4.50 and \$4.00 per day, respectively) and San Francisco currently charges \$13.50 per rental car contract.

- Alternative travel modes at the Intermodal Facility (proposed commuter train service, taxi, and bus) are not expected to have a material impact on rental car demand at the Airport. Although costs for renting a car or taking a taxi are higher than taking the commuter train or a RIPTA bus, the range of one-way travel times (including the walk to the Intermodal Facility, wait and/or transaction time, and actual travel time) for the bus and the train are significantly higher than renting a car or taking a taxi. The proposed commuter train service will be weekday only and bus service is not available on Sundays.
- As airfare is one of the primary factors (or in many cases the only factor) a traveler will use for air travel decisions, the competitiveness of airfares at the Airport relative to fares at Boston Logan International Airport (BOS) could have an impact on rental car activity at the Airport. As an example, some cost-conscious travelers going to Boston may opt to fly to the Airport and rent a car to drive to Boston if the cost of their airfare and rental car were substantially lower than flying into BOS and renting a car (or using other ground transportation). According to U.S. Department of Transportation (DOT) data, the average domestic one-way airfare at the Airport for FY 2005 was \$113—vs. \$137 for BOS.
- Based on a review of historical rental car activity data, the number of rental car transaction days at the Airport is primarily a function of O&D passengers. Rental car

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**Rhode Island Economic Development Corporation**  
**Rhode Island Airport Corporation**  
**June 6, 2006**

transaction days at the Airport have moved in the same direction as O&D passengers in each fiscal year between FY 2000 and FY 2005, but not necessarily at the same growth rate in any given fiscal year. The average number of days per rental car transaction remained flat (between 3.83 and 3.85) from FY 2000 through FY 2002, the last period for which actual annual transactions is available. In the long-term, it is reasonable to expect that these relationships will remain relatively stable.

- Rental car transaction days at the Airport are projected to grow from approximately 1.3 million in FY 2006 to approximately 1.5 million in FY 2014, with a compounded annual growth rate of 2.1 percent.

***Financial Analysis***

- During the projection period, debt service coverage on the First Lien Obligations is projected to range from a low of 1.99x in FY 2011 and FY 2012 to a high of 2.41x in FY 2010.
- Debt service coverage on First and Second Lien Obligations (or "All Obligations") combined is projected to range from a low of 1.12x in FY 2011 to a high of 1.24x in FY 2010.

Except as defined otherwise, the capitalized terms used in this report are as defined in the Indenture. The techniques used in this report are consistent with industry practices for similar studies in connection with revenue bond sales. While we believe the approach and assumptions utilized are reasonable, some assumptions regarding future trends and events may not materialize. Achievement of projections described in this report, therefore, is dependent upon the occurrence of future events, and variations may be material.

Sincerely,



RICONDO & ASSOCIATES, INC.

**TABLE OF CONTENTS**

Introduction .....	A-13
The Intermodal Facility .....	A-15
1.1 The Intermodal Facility .....	A-15
1.2 Intermodal Facility Costs.....	A-19
Economic Base for Airport Rental Car Demand .....	A-21
2.1 Air Trade Area .....	A-21
2.2 Population.....	A-21
2.3 Income .....	A-24
2.4 Employment.....	A-24
2.5 Business Climate .....	A-28
2.6 Travel and Tourism .....	A-30
2.7 Summary.....	A-31
Air Traffic.....	A-33
3.1 Airlines Serving the Airport .....	A-33
3.2 Historical Passenger Activity .....	A-33
3.3 Historical Air Service .....	A-38
3.4 Aviation Industry.....	A-42
3.5 Passenger Activity Projections .....	A-47
Rental Car Demand.....	A-51
4.1 Industry Overview .....	A-51
4.2 Industry Trends.....	A-53
4.3 Rental Car Market at the Airport.....	A-55
4.4 Historical Rental Car Demand at the Airport .....	A-57
4.5 Factors Influencing Rental Car Demand at the Airport.....	A-61
4.6 Projection of Airport Rental Car Transaction Days.....	A-67
Financial Analysis .....	A-71
5.1 Requirements under the Indenture .....	A-71
5.2 Sources of Funding.....	A-74
5.3 Financing Plan.....	A-74
5.4 Rental Car Concession Agreement.....	A-74
5.5 Operating and Maintenance Costs.....	A-78
5.6 Facility Revenues .....	A-78
5.7 Investment Income .....	A-84
5.8 Debt Service Coverage.....	A-84

**LIST OF TABLES**Table No.

1.1	Intermodal Facility Costs.....	A-20
2.1	Historical and Projected Population.....	A-23
2.2	Effective Buying Income.....	A-25
2.3	Civilian Labor Force and Unemployment Rates.....	A-26
2.4	Employment Trends by Major Industry Division.....	A-27
2.5	Major Employers.....	A-29
2.6	Total Retail Sales.....	A-32
3.1	Airlines Serving the Airport.....	A-34
3.2	Major/National Air Carrier Base.....	A-35
3.3	Historical Enplanements.....	A-37
3.4	Nonstop Service by Southwest.....	A-39
3.5	Historical Enplanements by Airline.....	A-40
3.6	Primary O&D Passenger Markets.....	A-41
3.7	Nonstop Markets.....	A-43
3.8	Enplanement Projections.....	A-49
4.1	U.S. Rental Car Company Market Share.....	A-52
4.2	Car Rental Companies Currently Serving the Airport.....	A-56
4.3	Historical Rental Car Activity at the Airport.....	A-59
4.4	Car Rental Rate Comparison - Selected New England/Northeast Airports.....	A-62
4.5	Customer Facility Charges at Selected U.S. Airports.....	A-63
4.6	Comparison of Alternative Transportation Modes - Airport Terminal Building to Downtown Providence.....	A-65
4.7	Rental Car Transaction Day Projections.....	A-68
5.1	Intermodal Facility Costs and Funding Sources.....	A-75
5.2	Projected Overall Sources and Uses of Bond Proceeds and TIFIA Bond Proceeds.....	A-76
5.3	Operating and Maintenance Costs.....	A-79
5.4	Facility Revenues.....	A-80
5.5	Customer Facility Charge Projections.....	A-82
5.6	Cash Flow.....	A-85
5.7	Debt Service Coverage.....	A-86

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**LIST OF EXHIBITS**

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Exhibit No.

1.1	Intermodal Facility - Overall Layout Plan.....	A-16
1.2	Intermodal Facility - Third Level Plan .....	A-17
2.1	Air Trade Area and Alternative Facilities .....	A-22
4.1	U.S. Rental Car Market and T. F. Green Airport Rental Car Gross Sales.....	A-54
4.2	Airport Gross Rental Car Sales.....	A-58
4.3	Airport Monthly Rental Car Transaction Days.....	A-60
5.1	Flow of Funds under the Indenture of Trust.....	A-73

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## **Introduction**

This Report of the Airport Consultant has been prepared to evaluate the financial feasibility of the planned issuance of Special Facility Revenue Bonds, Series 2006 (the Series 2006 Bonds) by the Rhode Island Economic Development Corporation (EDC). The proceeds of the Series 2006 Bonds will partially fund the cost of designing, constructing, and equipping the Intermodal Facility located at T. F. Green Airport (the "Airport"). The Intermodal Facility will also be funded with Customer Facility Charges (CFCs) collected by the rental car companies serving the Airport and with proceeds from the U.S. Department of Transportation's Transportation Infrastructure Finance and Innovation Act (TIFIA) loan (the "TIFIA Bond"), federal and state grants, and investment income.

The Airport occupies approximately 1,200 acres of land in Kent County in the City of Warwick (Warwick), which is approximately 8.5 miles south of the City of Providence (Providence). It is accessed directly from Exit 13 of Interstate 95 and is located approximately one mile east of the interstate highway. The Airport is designated as a medium-hub facility by the Federal Aviation Administration (FAA) and is the principal commercial service airport serving metropolitan Providence and the surrounding area. In calendar year (CY) 2005 (preliminary), the Airport ranked 56<sup>th</sup> nationwide in enplaned passengers. Southwest Airlines maintains the largest share of air traffic at the Airport and enplaned approximately 36.9 percent of the Airport's traffic in fiscal year (FY) 2005.

The Rhode Island Airport Corporation (RIAC) is a subsidiary public corporation, governmental agency, and public instrumentality formed by the EDC on December 9, 1992. RIAC began operations on July 1, 1993 and is responsible for the operation, maintenance, management, and improvement of the Airport and five general aviation airports (collectively, the Airport System). RIAC leases the Airport System from the State of Rhode Island pursuant to a Lease and Operating Agreement with a term ending in 2036.

As discussed in Section 4.3 of this report, RIAC has executed an Amended and Restated Rental Car Company Concession Agreement (the Concession Agreement) with nine of the ten companies currently serving Airport customers and expects to execute the Concession Agreement with the tenth company in June 2006. Each of the companies with an executed Concession Agreement will operate from the Intermodal Facility when it opens. The rental car companies serving the Airport began collecting CFCs from customers renting cars at the Airport on July 1, 2001. The original and current CFC level is \$3.75 per each day of the rental period. CFC collections are transmitted to RIAC on a monthly basis by the rental car companies.

The following sections of this report discuss the Intermodal Facility, the economic base of the Air Trade Area, air traffic demand and its relationship to rental car demand, the financing of the Intermodal Facility, and projections of operations, cash flow, and debt service coverage.

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## The Intermodal Facility

This section describes elements of the Intermodal Facility and presents cost estimates for each. As described below, the Intermodal Facility consists of the construction of the Warwick Intermodal Station for rental car, bus, and commuter rail transportation, and related improvements.

### 1.1 The Intermodal Facility

The Intermodal Facility will include consolidated facilities for Airport rental car operations; a commuter rail train platform to provide access for commuter rail traffic south to Wickford Junction and north to both Providence and Boston; a drop-off zone for taxis, limousines, and van shuttles; a commuter parking lot (for train and bus passengers); and a short-term parking area for pick-up and drop-off. There will also be a bus pick-up and drop-off location on the west side of the facility along Jefferson Boulevard that will serve RIPTA bus operations. The elevated and enclosed moving walkway system will connect the core of the Intermodal Facility to the Airport terminal building (approximately 1,250 feet away). Travel time between the Intermodal Facility and the Airport terminal building is estimated to be four minutes using the skywalk system. Exhibit 1.1 shows the location of the Intermodal Facility.

The Intermodal Facility will occupy six levels and include approximately 1.5 million square feet of space on a 283,000 square-foot footprint for both the structure and fueling platform. The Rhode Island Department of Transportation (RIDOT) will include the site for the Intermodal Facility as part of its lease of the Airport to RIAC.

#### 1.1.1 Rental Car Facilities

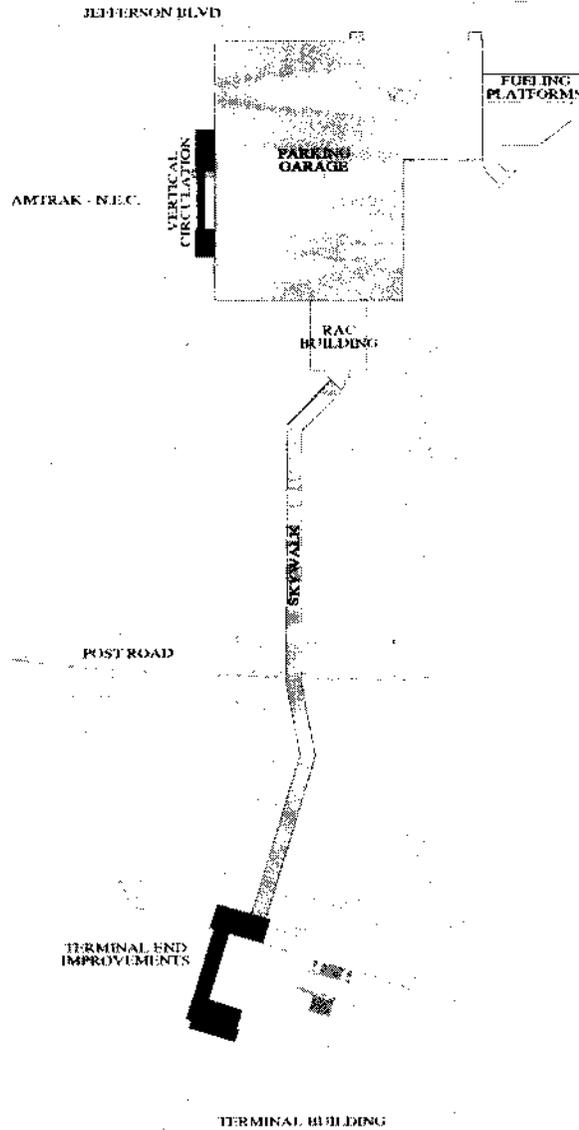
Exhibit 1.2 shows the layout of the third level of the Intermodal Facility. The rental car portion of this level consists of the customer service area located in the rental car building, the initial level of rental car parking in the parking garage, a fueling platform, and wash racks. In addition to occupying the third level of the parking garage, rental car parking, fueling platforms and wash racks will also occupy floors four through six of the parking garage.

The first two floors of the rental car building (below the customer service area) will initially be vacant, but will provide available office space for future needs. The entrance to the skywalk is located on the third level of the rental car building

More specifically, rental car facilities in the Intermodal Facility include:

- Approximately 2,200 rental car spaces configured at 325 square feet per space
- Rental car customer service/counter and office areas
- QTA area consisting of nine wash bays, a fuel system with 36 fueling stations and fuel storage, and supporting equipment (vacuum systems, fluid distribution systems, telephone and computer systems, etc.)
- Rental car stacking spaces
- Access ramps and aisles
- Break rooms
- Equipment/staff support areas
- Storage rooms

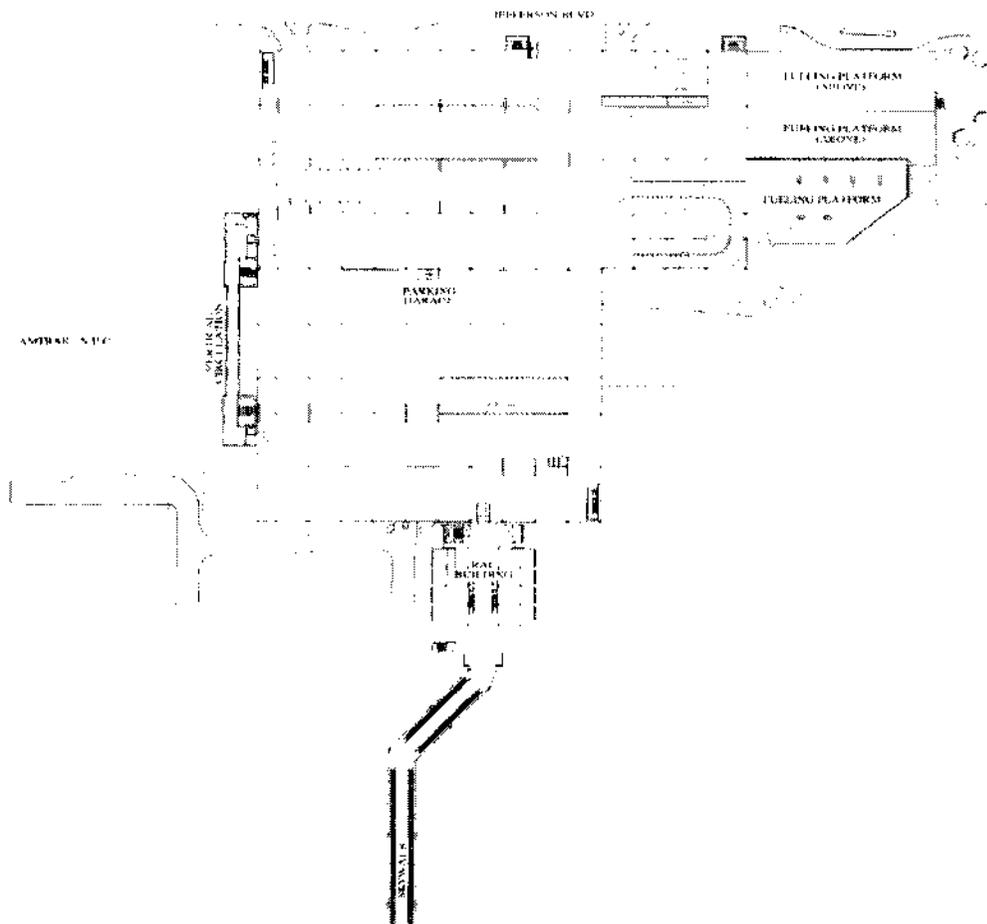
After the rental car facilities at the Intermodal Facility are operational, all existing rental car operations, facilities, and equipment will be moved out of their current locations in the Parking Garage "A" adjacent to the Airport Terminal and that space will be reconfigured for public parking at the Airport.



Source: Edwards and Kelcey (February 2006)  
Prepared by: Ricondo & Associates, Inc.

**Exhibit 1.1**

## Intermodal Facility Overall Layout Plan



Source: Edwards and Kelcey (February 2006)  
Prepared by: Ricondo & Associates, Inc.

**Exhibit 1.2**

### Intermodal Facility Third Level Plan

### **1.1.2 Train Platform**

A train platform to access inbound and outbound tracks will be located within the Intermodal Facility. The commuter train service will be provided by the Massachusetts Bay Transportation Authority (MBTA) going north to Providence and Boston and going south to Wickford Junction when that station opens. RIDOT currently expects the Wickford Junction station to open at about the same time the Intermodal Facility opens. Passengers boarding the train at the Airport stop will purchase tickets on board or will be traveling on a prepaid pass. The Intermodal Facility is being designed to allow for future operations by Amtrak. Amtrak's rail line through Warwick is the closest Amtrak line to a major airport terminal in the country and is a logical future stop for Northeast corridor operations.

Commuter rail service will serve to relieve peak hour traffic congestion in the I-95 corridor (in the Providence metropolitan area) by enabling drivers to use the train as an additional mode of travel for area residents to access jobs in Providence and Boston, Massachusetts (approximately 8.5 miles and 59.0 miles from the Intermodal Facility, respectively). Any modal shift will also serve to preserve available roadway capacity on Post Road (U.S. Route 1) and other local roadways.

In the longer term, RIDOT is contemplating the potential extension of commuter rail service as far south as Westerly, Rhode Island and eventually linking it with the Connecticut DOT's Shore Line East commuter service, which now connects New London, Connecticut with New Haven, Connecticut. There are also proposals for opening stations in Pawtucket, Cranston, and East Greenwich, Rhode Island.

### **1.1.3 Skywalk**

The skywalk system consists of an enclosed elevated structure with a series of moving walkways, approximately 35 feet off the ground, connecting the core of the Intermodal Facility with the Airport terminal building. The skywalk system will be accessible from the customer service operations area of the Intermodal Facility (described below in Section 1.1.4) and from the third level of the Airport terminal building.

The skywalk system will provide the connection to and from the Airport terminal building for rental car customers using the Airport and for other Intermodal Facility users (train, bus, and other passengers). RIAC's ground transportation regulations will be revised such that, upon the date of operational opening of the Intermodal Facility, all rental car companies serving the Airport (those operating from the Intermodal Facility and those operating from other sites) will pick-up and drop-off their Airport customers only at the Intermodal Facility. Rental car companies will be allowed to provide VIP service to and from the Airport Terminal provided that they segregate revenues from such premium service in a separate account, that those revenues do not exceed 1.5 percent of the company's gross receipts in any calendar year, and that they pick-up and drop-off only in the designated limousine area of the short-term parking lot.

The skywalk system will traverse an area designated by Warwick as the Warwick Station Redevelopment District, which may be redeveloped in the future with hotels, office buildings, and/or apartment complexes. In the event of such redevelopment, additional access areas to the skywalk system may be constructed between the core of the Intermodal Facility and the Airport. Off-site rental car companies will not have access to such future access areas. RIAC will make efforts to secure payment for any such future access.

### **1.1.4 Customer Service Area**

A centralized customer service area of approximately 17,500 square feet will be located on the third floor of the Intermodal Facility. This area will include access to the skywalk, customer lobby space, rental car counters, and rental car company office space. Vertical circulation equipment consisting of elevator and escalator banks will occupy levels four through six, accessing the rental car vehicle areas. Levels one and two, below the rental car counters and offices, will initially be unfinished and available for additional future office build-out.

### **1.1.5 Commuter Parking Facilities**

Approximately 1,000 automobile parking spaces will be located on the first and second floors of the parking garage portion of the Intermodal Facility for commuters (primarily bus/train passengers). Short-term parking for pickup or dropoff of passengers will also be on the first level of the facility.

Pursuant to the Concession Agreement described in Section 5.4 of this report, following the seventh year of Intermodal Facility operation, the rental car companies operating at the Intermodal Facility (the Intermodal Rental Car Companies) will have an option to acquire the lease for the commuter parking spaces. In the event the Intermodal Rental Car Companies opt to acquire the commuter parking spaces, they will be required to pay the replacement value equal to the cost of a new commuter parking garage containing 1,000 spaces and having direct access to the Intermodal Facility. The Rental Car Agreement requires the replacement commuter parking garage to be operational before the Intermodal Facility commuter parking spaces will be available to the Intermodal Rental Car Companies.

### **1.1.6 Other Intermodal Facility Elements**

Other elements of the Intermodal Facility include:

- Off-site road work including traffic and drainage improvements
- Storm drains
- Land acquisition associated with the Intermodal Facility site
- Environmental remediation associated with the Intermodal Facility site
- Amtrak allowances—payments to Amtrak for engineering, flag protections during construction, modifications to the existing catenaries, and air rights for the Intermodal Facility

## **1.2 Intermodal Facility Costs**

Estimated costs for elements of the Intermodal Facility are provided in **Table 1.1**. As shown, the total estimated cost of the Intermodal Facility is approximately \$222.5 million. RIAC estimates that the date of operational opening for the Intermodal Facility will be October 2009. Section 5.2 of this report describes the estimated sources of funding for the Intermodal Facility.

**Table 1.1**  
Intermodal Facility Costs

Intermodal Facility	Total Cost
Parking Garage	
Rental Car Ready/Return	\$46,946,000
Commuter Parking	28,137,000
Rental Car Customer and Service Facilities	40,200,000
Train Platform and Related Facilities	22,942,000
Land Acquisition and Site Development	14,601,000
Skywalk	43,523,000
Terminal Bridge	14,107,000
Tenant Improvements	12,000,000
<b>TOTAL</b>	<b>\$222,456,000</b>

Source: Rhode Island Airport Corporation  
Prepared by: Ricondo & Associates, Inc.

## Economic Base for Airport Rental Car Demand

The demand for air transportation and, consequently, rental car activity is, to a large degree, dependent upon the demographic and economic characteristics of an airport's air trade area (i.e., the geographical area served by an airport). This relationship is particularly true for origin-destination (O&D) passenger traffic, which has been the foremost component of demand at the Airport.<sup>1</sup> The major portion of demand for air travel and rental cars at the Airport, therefore, is influenced more by the local characteristics of the area served than by individual air carrier decisions regarding hub and service patterns in support of connecting activity. This section presents data that indicates that the Airport's air trade area has an economic base that attracts both business and tourist visitors, which in turn will positively impact the demand for both air travel and rental car activity at the Airport during the projection period.

### 2.1 Air Trade Area

The borders of an air trade area are influenced by the location of other metropolitan areas and their associated airport facilities. For purposes of these analyses, the *primary air trade area* for the Airport consists of the State of Rhode Island, as well as New London and Windham counties in Connecticut and Bristol County, Massachusetts. 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. Typically, the primary air trade area for an airport accounts for 80 to 90 percent of its passenger traffic. With significant low-fare service being added at the Airport in recent years, the percentage of passengers served outside this area has increased. Many of these passengers use the Airport as an alternative to other airports in the region, particularly Boston's Logan International Airport.

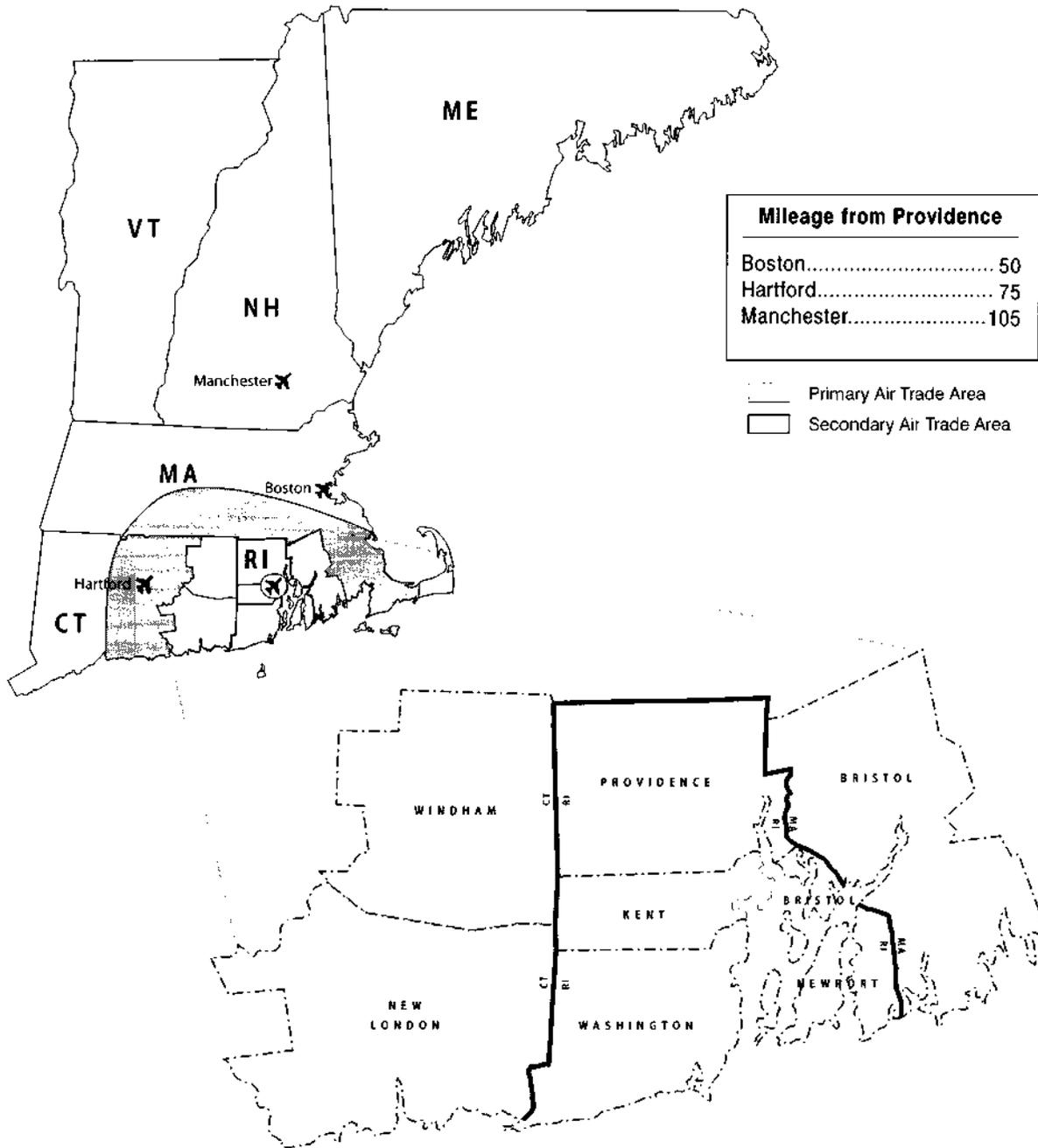
A large percentage of the Airport's local passenger traffic originates from its primary air trade area, and many of the attractions and destinations for nonresident passengers are located in this area. As a result, only socioeconomic data for the primary air trade area (hereinafter referred to as the Air Trade Area) were analyzed in conjunction with those for New England (the combined states of Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont) and the United States. **Exhibit 2.1** presents the geographical location of the Airport's primary and secondary air trade areas, as well as the Airport's proximity to alternative facilities.

### 2.2 Population

Historical population for the Air Trade Area, New England, and the United States is presented in **Table 2.1**. As shown, population in the Air Trade Area increased from 1,867,271 people in 1990 to 1,951,176 people in 2000 and to 2,004,964 people in 2005. As also shown, population growth in the Air Trade Area between 1990 and 2005 was equal to that for New England (compounded annual growth rate of 0.5 percent), yet below that for the nation (compounded annual growth rate of 1.2 percent) during this same period. According to the Rhode Island Department of Administration, this relatively low growth in population for the Air Trade Area and New England in relation to that for the nation was primarily due to 1) the national economic recession of the early 1990s and 2) the resulting slower employment growth and an out migration of residents pursuing employment in other states during the 1990s.

Table 2.1 also presents population projections for the Air Trade Area, New England, and the nation for 2015. As shown, population in the Air Trade Area is expected to increase at a compounded annual growth rate of 0.5 percent between 2005 and 2015, from 2,004,964 people in 2005 to 2,102,179 in 2015. Similar to long-term historical trends, projected population growth for the Air Trade Area is comparable to that projected for New

<sup>1</sup> Based on U.S. DOT ticket sample data, O&D passengers accounted for approximately 95 percent of total passengers at the Airport in FY 2004 (see Table 3.6).



Source: Cartesia Software, Map Art, 1998  
 Prepared by: Ricondo & Associates, Inc.

**Exhibit 2.1**

**Air Trade Area and Alternative Facilities**

**Table 2.1**  
**Historical and Projected Population**

Area	Historical			Projected	Compounded Annual Growth Rate			
	1990	2000	2005		Historical		Projected	
				1990-2000	2000-2005	1990-2005	2005-2015	
State of Rhode Island	1,003,464	1,048,319	1,076,189	1,139,543	0.4%	0.5%	0.5%	0.6%
New London County, CT	254,957	259,088	266,618	281,190	0.2%	0.6%	0.3%	0.5%
Windham County, CT	102,525	109,091	115,826	115,950	0.6%	1.2%	0.8%	0.0%
Bristol County, MA	506,325	534,678	546,331	565,496	0.5%	0.4%	0.5%	0.3%
Air Trade Area	1,867,271	1,951,176	2,004,964	2,102,179	0.4%	0.5%	0.5%	0.5%
New England	13,206,943	13,922,517	14,239,724	15,052,263	0.5%	0.5%	0.5%	0.6%
United States	248,709,873	281,421,906	296,410,404	322,365,787	1.2%	1.0%	1.2%	0.8%

Sources: U.S. Department of Commerce, Bureau of the Census (historical - all areas; projected - New England & U.S.)

The State of Connecticut's Office of Policy and Management, Policy Development and Planning Division

(projected - New London and Windham Counties)

University of Massachusetts - Amherst Campus, Massachusetts Institute for Social and Economic Research

(projected - Bristol County)

Prepared by: Ricondo & Associates, Inc.

England (a compounded annual growth rate of 0.6 percent), yet below that for the nation (0.8 percent) during this same period.

## 2.3 Income

One measure of the relative income of an area is its effective buying income (EBI). EBI is essentially disposable personal income and includes personal income less personal taxes (federal, state, and local), non-tax payments including fines and penalties, and personal contributions for social insurance. EBI is a composite measurement of market potential and indicates the general ability to purchase an available product or service.

**Table 2.2** presents per capita EBI for the Air Trade Area, New England, and the nation between 1999 and 2004. As shown, per capita EBI for the Air Trade Area increased at a compounded annual growth rate of 1.4 percent between 1999 and 2004, compared to 1.5 percent for New England and 1.7 percent for the nation during this same period.

Table 2.2 also presents projections of per capita EBI for 2009, the latest year for which such projections are currently available. According to *Sales and Marketing Management* magazine, per capita EBI for the Air Trade Area is projected to increase from \$19,462 in 2004 to \$21,878 in 2009. This increase represents a compounded annual growth rate of 2.4 percent during this period, comparable to 2.3 percent for New England and 2.2 percent for the nation.

An additional indicator of the market potential for air transportation demand is the percentage of households in the higher income categories. An examination of this indicator is important in that as personal income increases, air transportation becomes more affordable and, therefore, is used more frequently. Table 2.2 also presents percentages of households in selected EBI categories for 2004. As shown, 38.4 percent of households in the Air Trade Area had an EBI of \$50,000 or more in 2004, compared to 42.8 percent for New England and 36.7 percent for the nation.

## 2.4 Employment

Recent employment trends for the Air Trade Area, New England, and the United States are presented in **Table 2.3**. As shown, the Air Trade Area's civilian labor force was relatively stable between 1995 and 2005, from approximately 966,000 workers in 1995 to approximately 1,062,000 workers in 2005. This increase represents a compounded annual growth rate of 1.0 percent in the Air Trade Area's labor force during this period, compared to 0.7 percent for New England and 1.2 percent for the nation. As also shown in Table 2.3, average annual unemployment rates for the Air Trade Area reflected trends in its civilian labor force during the 1990s. In recent years, unemployment rates for the Air Trade Area were generally below or comparable to those for the nation between 1998 and 2005.

An analysis of nonfarm employment trends by major industry division is presented in **Table 2.4**, which compares the Air Trade Area's employment trends to those for the nation for 1995 and 2005.<sup>2</sup> As shown, nonfarm employment in the Air Trade Area increased from approximately 654,400 workers in 1995 to approximately 719,100 workers in 2005. This increase represents a compounded annual growth rate of 0.9 percent during this period, compared to 1.3 percent nationwide.

With the exception of manufacturing and information, each of the major industry groups in the Air Trade Area experienced positive growth between 1995 and 2005, with the highest growth occurring in the construction and financial sectors. The decrease in manufacturing employment between 1995 and 2005 was not unique to the Air Trade Area, as manufacturing employment nationwide decreased slightly during this same period. The slight decrease in information employment in the Air Trade Area between 1995 and 2005 was primarily due to employment in this sector remaining relatively stable in Rhode Island and Bristol County yet decreasing slightly in New London County during this same period.

<sup>2</sup> Nonfarm employment data is not available for Windham County, CT.

**Table 2.2**  
Effective Buying Income

Year	Per Capita EBI			
	Air Trade Area	New England	United States	
<u>Historical</u>				
1999	\$18,120	\$20,951	\$17,691	
2000	\$18,536	\$21,986	\$18,426	
2001	\$18,235	\$21,600	\$18,491	
2002	\$18,266	\$21,058	\$18,375	
2003	\$18,803	\$21,851	\$18,662	
2004	\$19,462	\$22,517	\$19,289	
<u>Projected</u>				
2009	\$21,878	\$25,213	\$21,506	
<u>Compounded Annual Growth Rate</u>				
1999 - 2004	1.4%	1.5%	1.7%	
2004 - 2009	2.4%	2.3%	2.2%	
<u>Percentage of Households in Income Categories (2004 EBI)</u>				
Area	Less Than \$20,000	\$20,000 to \$34,999	\$35,000 to \$49,999	\$50,000 or more
Air Trade Area	22.0%	20.4%	19.2%	38.4%
New England	19.1%	19.4%	18.7%	42.8%
United States	21.5%	22.5%	19.3%	36.7%

Sources: Sales & Marketing Management, *Survey of Buying Power*, 2000-2005

Prepared by: Ricondo & Associates, Inc.

**Table 2.3**  
Civilian Labor Force and Unemployment Rates

Year	Civilian Labor Force (000's)		
	Air Trade Area	New England	United States
1995	966	7,053	132,304
1996	974	7,118	133,943
1997	993	7,228	136,297
1998	991	7,257	137,673
1999	1,002	7,327	139,368
2000	1,011	7,348	142,583
2001	1,019	7,424	143,734
2002	1,043	7,510	144,863
2003	1,060	7,546	146,510
2004	1,053	7,517	147,401
2005	1,062	7,551	149,320
<u>Compounded Annual Growth Rate</u> 1995 - 2005	1.0%	0.7%	1.2%
Year	Unemployment Rates		
	Air Trade Area	New England	United States
1995	6.6%	5.3%	5.6%
1996	6.0%	4.8%	5.4%
1997	5.6%	4.4%	4.9%
1998	4.6%	3.5%	4.5%
1999	4.1%	3.2%	4.2%
2000	3.7%	2.8%	4.0%
2001	4.3%	3.6%	4.7%
2002	5.2%	4.8%	5.8%
2003	5.7%	5.4%	6.0%
2004	5.4%	4.9%	5.5%
2005	5.2%	4.7%	5.1%

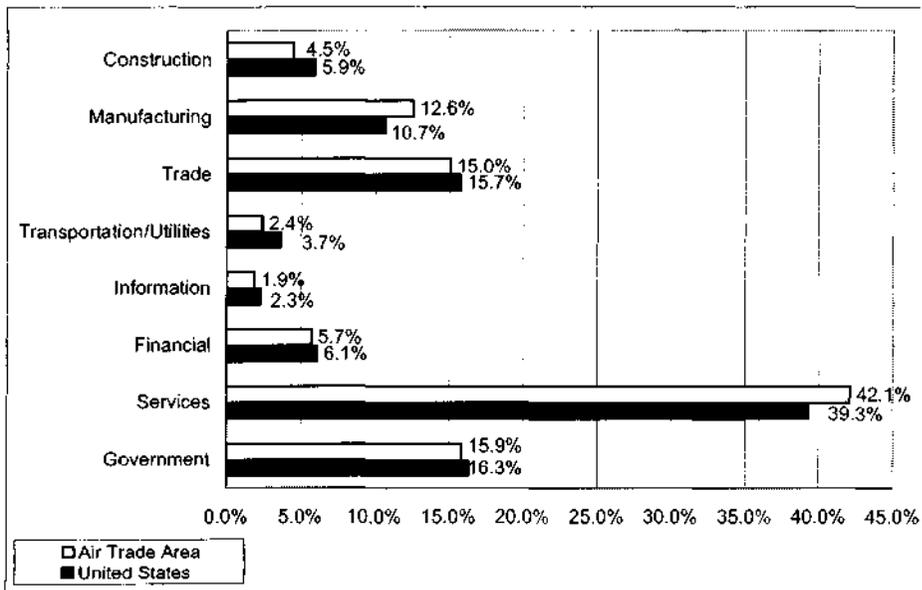
Source: U.S. Department of Labor, Bureau of Labor Statistics

Prepared by: Ricondo & Associates, Inc.

**Table 2.4**  
Employment Trends by Major Industry Division

Industry	Air Trade Area <sup>1</sup> Nonfarm Employment			United States Nonfarm Employment (000's)		
	1995	2005	Compounded Annual Growth Rate	1995	2005	Compounded Annual Growth Rate
Construction <sup>2</sup>	21,200	32,100	4.2%	5,915	7,902	2.9%
Manufacturing	129,000	90,300	-3.5%	17,241	14,232	-1.9%
Trade	96,000	108,100	1.2%	19,330	21,004	0.8%
Transportation/Utilities	15,800	17,100	0.8%	4,504	4,904	0.9%
Information <sup>3</sup>	13,700	13,500	-0.1%	2,843	3,066	0.8%
Financial	30,700	41,200	3.0%	6,827	8,141	1.8%
Services	249,300	302,700	2.0%	41,206	52,412	2.4%
Government	98,700	114,100	1.5%	19,432	21,803	1.2%
<b>TOTAL</b>	<b>654,400</b>	<b>719,100</b>	<b>0.9%</b>	<b>117,298</b>	<b>133,465</b>	<b>1.3%</b>

Percent of 2005 Nonfarm Employment



<sup>1</sup> Nonfarm employment data is not available for Windham County, CT.

<sup>2</sup> Includes natural resources and mining employment.

<sup>3</sup> The information sector includes communications, publishing, motion picture and sound recording, and on-line services.

Source: U.S. Department of Labor, Bureau of Labor Statistics

Prepared by: Ricondo & Associates, Inc.

A shifting of the Air Trade Area's industrial mix occurred between 1995 and 2005, as manufacturing employment decreased from 19.7 percent of total employment in 1995 to 12.6 percent in 2005; and services employment increased from 38.1 percent of total employment in 1995 to 42.1 percent in 2005. These trends in the Air Trade Area's industrial mix were consistent with changes in the industrial mix nationwide, as manufacturing decreased from 14.7 percent to 10.7 percent and services increased from 35.1 percent to 39.3 percent during this same period.

## 2.5 Business Climate

The business climate in the Air Trade Area offers many advantages to new, expanding, and relocating companies. Providence has been nationally recognized as one of the best places to live for business and career growth, as well as for healthcare services and educational opportunities. In 2003, *Forbes* magazine ranked Providence as "One of the Top Ten Places for Businesses and Careers." *Money* magazine named Providence as the "Best City in the East" for young professionals in recent years. In 2003, MSN named Providence to its list of "Top Ten Places to Live" in the United States, as well as calling it the "Most Improved City" in the nation. Providence has also been recognized in recent years by the U.S. Conference of Mayors as one of the "Most Livable Cities" in the country.

The economic vitality, as well as the leisure opportunities discussed later in Section 2.6, makes the Air Trade Area an attractive location for companies and their employees and travelers to the Air Trade Area. Major employers in the Air Trade Area, as measured by the number of employees, are presented in **Table 2.5**.<sup>3</sup> As shown, there are more than 55 firms or governments in the Air Trade Area with 1,000 or more employees. The largest employer in the Air Trade Area is the State of Rhode Island with approximately 14,560 employees, followed by the health care network Lifespan (10,600 employees); the United States Government (9,800 employees); the Care New England Health System (6,530 employees); and the City of Providence (6,500 employees).

Two Fortune 500 companies are headquartered in Rhode Island: the drug store chain CVS (ranked 55<sup>th</sup> in 2004 revenues) and the aerospace and defense manufacturer Textron (ranked 216<sup>th</sup> in 2004 revenues). Other Fortune 500 companies with a significant presence in the Air Trade Area include General Dynamics (3,340 employees); Bank of America (3,240 employees); MetLife (2,010 employees); Wal-Mart Stores (1,880 employees); Raytheon (1,780 employees); Verizon Communications (1,760 employees); Home Depot (1,440 employees); Amgen (1,300 employees); Cox Communications (1,220 employees); McDonald's (1,220 employees); Texas Instruments (1,200 employees); and United Parcel Service (1,000 employees).

The Air Trade Area offers a wide range of advanced healthcare facilities and is internationally recognized for its medical knowledge and expertise in such areas as cardiovascular care, orthopedics, psychiatric treatment, and specialty services for women and newborns. Rhode Island Hospital (Providence) houses southeastern New England's only level one trauma center as well as one of the largest and fastest-growing kidney transplant programs in New England and one of the largest pediatric referral centers, Hasbro Children's Hospital. In 2005, Hasbro Children's Hospital was named among the best children's hospitals in the country by *Child* magazine, ranking 9<sup>th</sup> in orthopedics. Several hospitals in the Lifespan health care system serve as teaching facilities affiliated with Brown Medical School (Providence).<sup>4</sup> Lifespan also has a teaching affiliate located in Boston's New England Medical Center. In *U.S. News and World Report* magazine's "2004 America's Best Hospitals" survey, Butler Hospital was recognized as one of the top 30 psychiatric treatment facilities in the nation for the second consecutive year and the Women and Infants Hospital was recognized as one of the top gynecologic hospitals in the nation for the third time; both of these medical facilities are teaching affiliates for the Brown Medical School.

<sup>3</sup> Includes employer information for Rhode Island and Bristol County, MA only.

<sup>4</sup> Lifespan's network of health care providers include Bradley Hospital, Lifespan/Physicians PSO, Newport Hospital, Rhode Island Hospital, The Miriam Hospital, and Visiting Nurse Association of Rhode Island

Table 2.5  
Major Employers <sup>1 2</sup>

Employer	Employees	Product or Service
State of Rhode Island <sup>3</sup>	14,560	State Government
Lifespan	10,600	Health Care
U.S. Government	9,900	Federal Government
Care New England Health System	6,530	Health Care
City of Providence	6,500	Municipal Government
Roman Catholic Diocese of Providence	6,200	Religious Organization
Southcoast Hospitals Group	5,510	Health Care
Citizens Financial Group	5,500	Financial Services
CVS	5,310	Drug Stores
Stop & Shop	4,460	Supermarkets
General Dynamics	3,340	Defense Technology
Brown University	3,250	Higher Education
Bank of America	3,240	Financial Services
City of New Bedford	3,200	Town Government
City of Warwick	2,900	Municipal Government
City of Cranston	2,800	Municipal Government
City of Fall River	2,680	Town Government
Acushnet	2,500	Golf Balls & Equipment
RIARC (Services for Disabled Persons)	2,380	Health Care
Shaw's Supermarkets	2,240	Supermarkets
The Jan Companies	2,120	Food Services
City of Pawtucket	2,100	Municipal Government
MetLife	2,010	Insurance
Ouaker Fabric	2,000	Fabric & Yarn Manufacturer
City of Taunton	1,900	Town Government
Wal-Mart Stores	1,880	Retail Stores
St. Joseph Health Services of Rhode Island	1,850	Health Care
Maxi Drug	1,830	Drug Stores
Raytheon	1,780	Oceanographic Instrumentation
Verizon Communications	1,760	Telecommunications
Memorial Hospital of Rhode Island	1,600	Health Care
Fidelity Investments	1,600	Financial Services
City of Attleboro	1,500	Town Government
Home Depot	1,440	Specialty Retailers
Sturdy Memorial Hospital	1,410	Health Care
Roger Williams Medical Center	1,340	Health Care
Amgen	1,300	Pharmaceuticals
Amica Life Insurance	1,290	Insurance
Johnson & Wales University	1,270	Higher Education
McDonald's	1,220	Food Services
Cox Communications	1,220	Telecommunications
American Power Conversion	1,210	Electronics & Electrical Equipment
Bristol Community College	1,210	Higher Education
Texas Instruments	1,200	Digital Signal Processing & Other Technologies
Landmark Health System	1,180	Health Care
Leviton	1,180	Electronics & Electrical Equipment
St. Anne's Hospital	1,180	Health Care
GTECH	1,140	Information Technology
University of Massachusetts - Dartmouth	1,130	Higher Education
Blue Cross & Blue Shield of Rhode Island	1,070	Insurance
Sovereign Bank	1,050	Financial Services
Securitas AB	1,050	Security Systems & Services
South County Hospital	1,050	Health Care
Hasbro	1,030	Toys & Games
Morton Hospital	1,000	Health Care
Hallsmith-Sysco Food Services	1,000	Food Services
United Parcel Service	1,000	Package Delivery Service

<sup>1</sup> Employment as of October 2005.

<sup>2</sup> Includes employer information for Rhode Island and Bristol County, MA only.

<sup>3</sup> Includes employment for the University of Rhode Island and other state colleges.

Sources: Providence Business News, 2005 Book of Lists  
Rhode Island Economic Development Corporation  
Prepared by: Ricordo & Associates, Inc.

The Air Trade Area has one of the highest concentrations of colleges and universities in the United States, with higher education being provided by more than 14 colleges and universities, including: Brown University, a member of the Ivy League and the nation's seventh oldest college; Johnson & Wales University; Rhode Island School of Design, recognized as one of the top specialty schools for fine arts in the nation by *U.S. News and World Report* magazine; Roger Williams University, Rhode Island's only school of law and consecutively recognized by *U.S. News and World Report* magazine's "America's Best Colleges" ranking as one of the best comprehensive, private, liberal arts colleges in the nation; and the University of Rhode Island, renowned as one of the top ten oceanographic institutions in the world.

## **2.6 Travel and Tourism**

Stimulating the demand for air travel and rental car activity at the Airport by offering a variety of business, cultural, and recreational activities, the travel and tourism industry is one of the fastest-growing industries in the Air Trade Area. According to the Rhode Island Tourism Division, visitors to the Air Trade Area totaled approximately 16 million people in 2004 for business, conventions, or leisure. As shown in Table 2.4, the services sector accounted for approximately 302,700 employees in the Air Trade Area in 2005, which accounted for 42.1 percent of total nonfarm employment, the highest employment level among all sectors. Leisure and hospitality services accounted for approximately 72,600 employees in 2005, which represented 24 percent of the services sector employment and 10 percent of total nonfarm employment during this period.

The Air Trade Area hosts a significant number of outdoor festivals and events annually. These include numerous maritime events ranging from weekly regattas and trans-Atlantic Ocean races to the Tall Ships Festival. Renowned as a vacation area because of its 400-mile shoreline with numerous recreational activities, the Air Trade Area is one of the sailing capitals of the world. It offers more than 30 yacht clubs, 85 marinas, 30 boating harbors, and 100 public launching sites. Newport, Rhode Island, one of the Air Trade Area's top leisure destinations, offers a unique culture of maritime history, restored colonial-era homes and buildings protected by the National Register of Historic Landmarks, and a variety of outdoor events, including boat shows and classical, jazz, and folk music festivals. From 1930 to 1983, the legendary America's Cup was held in Newport.

The Air Trade Area has a number of museums along Providence's Museum Mile, including the Providence Children's Museum and the Museum of Art at Rhode Island School of Design. Other major tourist attractions in the Air Trade Area include the Newport Mansions, WaterFire Providence, Roger Williams Park Zoo, Providence Performing Arts Center, Trinity Repertory Company, International Tennis Hall of Fame, Rhode Island Philharmonic, and Veterans Memorial Auditorium & Cultural Center.

The gaming industry is a significant source of entertainment in the Air Trade Area. Located within 30 miles of the Airport, the Newport Grand entertainment center provides approximately 1,000 video lottery terminals and simulcasts of thoroughbred, greyhound racing, and Florida jai alai. The Lincoln Park complex, located approximately 15 miles from the Airport, offers 2,400 video lottery terminals as well as live greyhound racing and simulcasts of thoroughbred and greyhound wagering. Foxwoods Resort Casino is approximately 40 miles from the Airport and offers more than 7,400 slot machines, 388 table games, the world's largest bingo hall, keno play throughout the property, as well as numerous restaurants, live entertainment, a golf and country club, and a 1,400 luxury guest room hotel and spa. Located approximately 60 miles from the Airport, Mohegan Sun Casino hosts 300,000 square feet of gaming and features a 1,200 luxury guest room hotel and spa, 30 dining options, nearly 30 shops and boutiques, and concerts and live entertainment.

In terms of sports activities, the Air Trade Area is home to the International League's Pawtucket Red Sox baseball team (the Triple-A affiliate of Major League Baseball's Boston Red Sox), the American Hockey League's Providence Bruins (the development team of the National Hockey League's Boston Bruins), the United Soccer League's Rhode Island Stingrays, and the Women's National Basketball Association's Connecticut Sun. The Air Trade Area was the site for the NCAA Men's Ice Hockey Tournament in 2000, NBC's 1999-2001 Gravity Games, and Triple-A Baseball's All-Star Game in 2004. The Rhode Island Country

Club is the home of the PGA's CVS Charity Golf Classic. The LPGA's U.S. Women's Open Championship will be held at the Newport Country Club in the summer of 2006. The Air Trade Area will host the 2006 Pre-Trials and the 2007 U.S. Olympic and Paralympic Team Trials for sailing; these select sailors will represent the USA in the 2008 Olympic Games in China.

Shopping in the Air Trade Area is provided by a variety of specialty shops, as well as traditional large shopping malls. The largest shopping malls in the Air Trade Area, as indicated by square footage of retail space, include Providence Place Mall (1.3 million square feet); Warwick Mall (1.16 million square feet); Silver City Galleria (1.04 million square feet); Emerald Square Mall (1.03 million square feet); Swansea Mall (700,000 square feet); Dartmouth Mall (690,000 square feet); and The Crossing at Smithfield (630,000 square feet).

As also shown in Table 2.4, the trade sector, which includes wholesale and retail sales, accounted for approximately 108,100 employees in the Air Trade Area in 2005, which accounted for 15 percent of total nonfarm employment. One indicator of growth in the trade sector is retail sales, defined as all net sales (gross sales minus refunds and allowances for returns) for establishments engaged primarily in retail trade. **Table 2.6** presents total retail sales for the Air Trade Area, New England, and the nation between 2000 and 2005. As shown in Table 2.6, total retail sales for the Air Trade Area increased from approximately \$21.3 billion in 2000 to approximately \$27.1 billion in 2005. This increase represents a compounded annual growth rate of 5.0 percent during this period, which was higher than that for both New England and the nation (compounded annual growth rates of 3.9 and 4.3 percent, respectively).

Table 2.6 also presents projections of total retail sales for 2010, the latest year for which comparable projections are currently available. According to *Sales & Marketing Management* magazine, total retail sales for the Air Trade Area are projected to increase from approximately \$27.1 billion in 2005 to approximately \$31.3 billion in 2010. This increase represents a compounded annual growth rate of 2.9 percent during this period, compared to 3.2 percent for both New England and the nation.

## **2.7 Summary**

Offering a variety of business, cultural, recreational, and educational resources and opportunities, the economic base of the Air Trade Area is stable and diversified, and is capable of supporting increased demand for air travel and rental car activity at the Airport during the projection period.

**Table 2.6**  
**Total Retail Sales**  
 (Dollar Amounts in Millions)

Year	Air Trade Area	New England	United States
<u>Historical</u>			
2000	\$21,274	\$193,430	\$3,409,490
2001	\$22,395	\$205,177	\$3,658,749
2002	\$22,930	\$206,774	\$3,627,218
2003	\$23,382	\$207,465	\$3,724,992
2004	\$25,399	\$218,336	\$3,906,482
2005	\$27,116	\$234,225	\$4,206,053
<u>Projected</u>			
2010	\$31,279	\$274,143	\$4,919,027
<u>Compounded Annual Growth Rate</u>			
2000 - 2005	5.0%	3.9%	4.3%
2005 - 2010	2.9%	3.2%	3.2%

Sources: Sales & Marketing Management, *Survey of Buying Power*, 2000-2005

Prepared by: Ricondo & Associates, Inc.

## Air Traffic

This section describes historical and projected passenger activity levels and air service trends at the Airport and discusses key factors affecting trends in these activities. Passenger activity is correlated to demand for rental cars and will serve as the basis for projecting future rental car demand in Chapter 4.

### 3.1 Airlines Serving the Airport

As of June 2006, the Airport had scheduled passenger service provided by 19 U.S. flag carriers and one foreign flag carrier.<sup>1</sup> In addition, three all-cargo carriers provide scheduled cargo service at the Airport. Scheduled service at the Airport is provided by 10 of the nation's 14 major U.S. passenger airlines, which represent the largest group of U.S. passenger airlines in terms of their total annual revenues.<sup>2</sup> These airlines include American Eagle, Comair, Continental, Delta, ExpressJet, Northwest, SkyWest, Southwest, United, and US Airways. **Table 3.1** lists the airlines serving the Airport as of June 2006.

**Table 3.2** presents the historical major/national air carrier base at the Airport since FY 1996. As shown, the Airport has had the benefit of a relatively large and stable major/national air carrier base during the years depicted, which has helped promote competitive pricing and scheduling diversity in the Airport's major markets. Specific points concerning the Airport's historical major/national air carrier base are presented below:

- Six of the 10 major U.S. passenger airlines currently providing service at the Airport operated there during each of the years shown in Table 3.2. These six major U.S. passenger airlines (excluding their regional affiliates) accounted for 44.4 percent of passenger enplanements at the Airport in FY 2005.
- Southwest initiated its low-fare service at the Airport in early FY 1997, with nonstop service by fiscal-year-end (FYE) to Baltimore, Chicago, Nashville, Orlando, and Tampa with a total of 14 daily flights. This carrier has steadily expanded its activity at the Airport since FY 1997 to eight cities with a total of 34 daily flights (as of fiscal-year-end and based on Official Airline Guide data). As discussed later in these analyses, the presence of Southwest provided a significant impact to activity at the Airport.
- Spirit began its low-fare service at the Airport in mid-FY 2005, and currently offers nonstop service to Fort Lauderdale with one flight daily. Although it ceased activity nationwide on January 6, 2006 due to bankruptcy, Independence Air began its low-fare service at the Airport in early FY 2005 with four daily flights to Washington, D.C. As discussed later in these analyses, the initiation of service by these two carriers in FY 2005 provided significant growth in passenger activity during FY 2005 compared to FY 2004 levels.
- American Eagle, which had operated three daily nonstop flights to Raleigh, discontinued its service at the Airport in May 2005; however, American discontinued its mainline flights to Chicago and Dallas and replaced its Chicago service with American Eagle service in April 2006.

### 3.2 Historical Passenger Activity

This section presents historical trends in enplaned passengers at the Airport and the major factors influencing these trends, as well as historical market shares of enplanements by airline.

<sup>1</sup> This total includes Cape Air, d/b/a Hyannis Air Services, which offers seasonal service at the Airport between April and December to Hyannis, Martha's Vineyard, and Nantucket.

<sup>2</sup> As defined by the U.S. Department of Transportation (DOT), major U.S. passenger airlines are airlines with gross operating revenues of more than \$1 billion during any calendar year (CY); and national U.S. passenger airlines gross between \$100 million and \$1 billion during any calendar year.

**Table 3.1**  
Airlines Serving the Airport <sup>1</sup>

U.S. Flag Carriers (19)	Doing Business As:
Air Wisconsin	US Airways Express
American Eagle	
Atlantic Southeast	Delta Connection
Cape Air <sup>2</sup>	Hyannis Air Services
Colgan	US Airways Express
Comair	Delta Connection
Continental	
Delta	
ExpressJet	Continental Express
Mesa	US Airways Express
Northwest	
Piedmont	US Airways Express
Republic	US Airways Express
SkyWest	United Express
Southwest	
Spirit	
Trans States	United Express
United	
US Airways	
<b>Foreign Flag Carriers (1)</b>	
Air Georgian	Air Canada
<b>All-Cargo Carriers (3)</b>	
DHL	
FedEx	
United Parcel Service	

<sup>1</sup> As of June 2006.

<sup>2</sup> Cape Air, d/b/a Hyannis Air Services, offers seasonal service at the Airport between April and December to Hyannis, Martha's Vineyard, and Nantucket.

Sources: Rhode Island Airport Corporation  
Official Airline Guide

Prepared by: Ricondo & Associates, Inc.

**Table 3.2**  
Major/National Air Carrier Base <sup>1</sup>

Air Carrier	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006 <sup>2</sup>
American Eagle	•	•	•	•	•	•	•	•		•	•
Continental	•	•	•	•	•	•	•	•	•	•	•
Delta	•	•	•	•	•	•	•	•	•	•	•
ExpressJet	•	•	•	•	•	•	•	•	•	•	•
Northwest	•	•	•	•	•	•	•	•	•	•	•
United	•	•	•	•	•	•	•	•	•	•	•
US Airways	•	•	•	•	•	•	•	•	•	•	•
Southwest		•	•	•	•	•	•	•	•	•	•
Comair							•	•	•	•	•
Trans States									•	•	•
SkyWest										•	•
Spirit										•	•
Air Wisconsin											•
Atlantic Southeast											•
Mesa											•
<b>Air Carriers No Longer Serving the Airport</b>											
American	•	•	•	•	•	•	•	•	•	•	•
Atlantic Coast/Independence Air <sup>3</sup>	•	•	•	•	•	•	•	•	•	•	•
AirTran	•	•									

<sup>1</sup> The air carriers presented herein are U.S. airlines with gross operating revenues of at least \$100 million during any calendar year.

<sup>2</sup> As of June 2006.

<sup>3</sup> Atlantic Coast discontinued its code-share arrangement with United in August 2004 and subsequently operated at the Airport as the low-cost carrier Independence Air. Independence Air filed for reorganization under Chapter 11 of the Bankruptcy Code on November 7, 2005, and ceased operations nationwide on January 6, 2006.

Sources: Rhode Island Airport Corporation

Prepared by: Ricondo & Associates, Inc.

### 3.2.1 Enplaned Passengers

The Airport, classified by the FAA as a medium hub facility based on its percentage of nationwide enplanements, ranked 56<sup>th</sup> nationwide in total passengers enplaned and deplaned in CY 2005 (preliminary).<sup>3,4</sup>

**Table 3.3** presents historical enplaned passengers at the Airport and the nation between FY 1995 and FY 2005. As shown, passenger activity at the Airport increased from 1,198,872 enplanements in FY 1995 to 2,811,550 in FY 2001. This increase represents a compounded annual growth rate of 15.3 percent during this period, compared to 2.8 percent growth nationwide. As also shown, the Airport's share of total U.S. enplaned passengers increased from 0.226 percent in FY 1995 to 0.449 percent in FY 2001, reflective of the higher compounded annual growth rate experienced at the Airport compared to that for the nation during this period.

Passenger activity at the Airport decreased from 2,811,550 enplanements in FY 2001 to 2,625,661 in FY 2004, an annual compounded decrease of 2.3 percent during this period. This decrease in activity at the Airport was primarily due to the effects of the terrorist attacks of September 11, 2001 (hereinafter referred to as September 11) and the nationwide economic slowdown. As discussed in more detail below, enplanements at the Airport increased 8.9 percent in FY 2005 from FY 2004 levels, reaching a record high 2,858,917 enplanements for the Airport.

Specific details concerning enplaned passengers at the Airport between FY 1995 and FY 2005, as well as year-to-date (YTD) FY 2006, are discussed below:

- **FY 1995 – FY 1996.** Enplanements at the Airport decreased 10.1 percent in FY 1996 from FY 1995 levels, primarily due to passengers utilizing alternative facilities for low-fare service (e.g., ValuJet at Boston's Logan International Airport) and to avoid construction activity associated with the new terminal at the Airport during this period.
- **FY 1997 – FY 1998.** Passenger activity doubled at the Airport from 1,077,634 enplanements in FY 1996 to 2,184,395 in FY 1998 (a compounded annual growth rate of 42.4 percent during this period, compared to 3.0 percent nationwide). This significant increase was due to the initiation of low-fare service by Southwest at the Airport in October 1996 (following the opening of the new passenger terminal at the Airport in September 1996), as well as the subsequent fare and service responses of the incumbent airlines to this low-fare service (e.g., Delta Express service to Orlando).

Southwest's initiation of low-fare service at the Airport provided the "Southwest Effect" at the Airport. It is generally recognized that Southwest stimulates traffic at an airport it serves due to its low fares and high frequency of service. Passenger increases at an airport Southwest services are typically due to the stimulation of previously untapped passenger markets and the diversion of passengers from nearby facilities it does not serve, rather than the diversion of passengers from existing airlines serving the same facility. Southwest chooses its markets to tap a large area rather than just the immediate urban vicinity. For example, Southwest's published schedule lists flights to the Airport as serving Boston. The introduction of low-fare service by Southwest has made the Airport more competitive for Boston area passengers and has led to a significant number of passengers from Boston and the neighboring suburbs using the Airport.

- **FY 1999 – FY 2001.** Strong growth in enplanements at the Airport continued during the next three fiscal years, with enplanements increasing from 2,184,395 in FY 1998 to 2,811,550 in FY 2001. This increase represents a compounded annual growth rate of 8.8 percent during this period, compared to 2.0 percent nationwide.<sup>5</sup> Southwest continued to steadily expand its activity at the Airport during this

<sup>3</sup> As defined by the FAA, a medium hub airport enplanes between 0.25 percent and 0.999 percent of nationwide enplanements during a calendar year. This definition equates to an airport enplaning between 1.8 million and 7.0 million enplanements in CY 2004, the latest year for determining airport hub size.

<sup>4</sup> *ACI Traffic Data 2005 (preliminary)*, Airports Council International.

<sup>5</sup> Due to the differences in fiscal year definitions (12 months ended June 30<sup>th</sup> for the Airport and September 30<sup>th</sup> for the nation), nationwide passenger activity levels in FY 2001 were slightly affected by the September 11, 2001 terrorist attacks on New York City and Washington, D.C.

**Table 3.3**  
Historical Enplanements

Fiscal Year	Airport Enplanements <sup>1</sup>	Airport Growth	U.S. Enplanements <sup>2</sup>	U.S. Growth	Share of U.S. Market
1995	1,198,872	-	530,000,000	-	0.226%
1996	1,077,634	-10.1%	557,000,000	5.1%	0.193%
1997	1,652,755	53.4%	577,800,000	3.7%	0.286%
1998	2,184,395	32.2%	590,400,000	2.2%	0.370%
1999	2,419,061	10.7%	610,900,000	3.5%	0.396%
2000	2,651,589	9.6%	641,200,000	5.0%	0.414%
2001	2,811,550	6.0%	626,800,000	-2.2%	0.449%
2002	2,688,847	-4.4%	574,500,000	-8.3%	0.468%
2003	2,646,978	-1.6%	587,800,000	2.3%	0.450%
2004	2,625,661	-0.8%	628,500,000	6.9%	0.418%
2005	2,858,917	8.9%	669,800,000 <sup>3</sup>	6.6%	0.427%
<b>Compounded Annual Growth Rate</b>					
1995 - 2001		15.3%		2.8%	
2001 - 2005		0.4%		1.7%	
1995 - 2005		9.1%		2.4%	

<sup>1</sup> Fiscal year ending June 30.

<sup>2</sup> Fiscal year ending September 30.

<sup>3</sup> Estimated by the FAA.

Sources: Rhode Island Airport Corporation  
FAA

Prepared by: Ricondo & Associates, Inc.

period, increasing its nonstop service from five markets with a total of 16 daily flights in FY 1998 to eight markets with a total of 28 daily flights in FY 2001 (see **Table 3.4**). In addition, US Airways initiated its low-fare MetroJet service at the Airport in June 1998 with daily nonstop service to Baltimore and added once-a-week nonstop service to Orlando in October 1999.

- **FY 2002 – FY 2004.** The effects of September 11 and US Airways' elimination of its MetroJet operations nationwide in December 2001 caused passenger activity at the Airport to decrease from 2,811,550 enplanements in FY 2001 to 2,688,847 in FY 2002. Between FY 2002 and FY 2004, Airport enplanements decreased at a compounded annual rate of 1.2 percent, compared to a compounded annual growth rate of 4.5 percent experienced by the nation during this period. As shown in **Table 3.4**, daily service by Southwest remained constant between FY 2001 and FY 2002 at 28 daily flights. With the cessation of service to Islip, New York in FY 2003, daily departures by Southwest decreased to 26 daily flights. In FY 2004, Southwest service increased to 32 daily flights with the addition of nonstop service to Philadelphia.
- **FY 2005.** As discussed earlier, the Airport reached a record high 2,858,917 enplanements in FY 2005, increasing 8.9 percent from FY 2004 levels and surpassing pre-September 11 activity levels. A number of factors contributed to the significant enplanement growth that the Airport experienced during this period. Spirit Airlines and Independence Air initiated low-fare service at the Airport in FY 2005, and Southwest continued its expansion of service at the Airport with two additional nonstop frequencies offered in FY 2005. The Airport has since recovered from the effects of September 11 and the nationwide economic slowdown.
- **YTD FY 2006.** Through the first 10 months of FY 2006, the number of enplaned passengers at the Airport reached 2,313,590 passengers, compared to 2,350,560 for the first 10 months of FY 2005. Several factors are expected to influence the enplanement levels at the Airport for FY 2006: (1) Through the first 10 months of FY 2006, the number of enplaned passengers for Southwest at the Airport were approximately 120,000 higher than for the similar period in FY 2005 (approximately 14 percent higher). In November 2005, Southwest initiated one daily nonstop flight to Las Vegas, the Airport's 11<sup>th</sup>-ranked O&D market in FY 2005; (2) Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005; and ceased operations nationwide on January 6, 2006; and (3) American replaced its mainline service to Chicago at the Airport with its code-share partner American Eagle and discontinued its mainline service to Dallas in April 2006.

### 3.2.2 Enplaned Passengers by Airline

**Table 3.5** presents historical enplanements by airline at the Airport between FY 2001 and FY 2005. As shown, Southwest and US Airways carriers combined accounted for 57.2 percent of enplanements at the Airport in FY 2005. Delta carriers and United carriers accounted for an additional 18.6 percent of enplanements during this same period.

### 3.3 Historical Air Service

An important airport characteristic is the distribution of its O&D markets, which is a function of air travel demand and available services and facilities. This is particularly true for the Airport, as it serves primarily O&D passengers. Based on U.S. DOT ticket sample data, O&D passengers accounted for approximately 95 percent of the total passengers at the Airport in FY 2005. **Table 3.6** presents historical data on the Airport's primary (i.e., top 20) O&D markets. As shown, the Airport served primarily short- to medium-haul markets in the periods depicted, with an average stage length (i.e., passenger trip distance) of 1,120 miles in FY 1996 and 1,091 miles in FY 2005. The Airport's average stage lengths during these periods reflect the Airport's geographical location and strong local demand for major southern (i.e., Orlando, Tampa, and Fort Lauderdale) and midwestern (i.e., Chicago) markets.

With Southwest initiating service at the Airport in October 1996, significant increases in O&D passengers occurred in nonstop markets served by this carrier between FY 1996 and FY 2005. In addition airfares have

**Table 3.4**  
Nonstop Service by Southwest

	Daily Nonstop Flights (Fiscal-Year-End)									
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Baltimore	8	9	11	11	11	11	11	12	12	12
Chicago	2	2	2	3	3	3	3	3	4	4
Nashville	1	2	2	2	2	2	2	2	2	2
Orlando	2	2	2	2	3	3	4	4	5	5
Tampa	1	1	1	2	2	2	3	3	3	3
Kansas City			1	1	1	1	1	1	1	0
Phoenix				1	2	2	2	2	2	2
Islip					4	4	0	0	0	0
Philadelphia								5	5	5
Las Vegas										1
<b>TOTAL</b>	<b>14</b>	<b>16</b>	<b>19</b>	<b>22</b>	<b>28</b>	<b>28</b>	<b>26</b>	<b>32</b>	<b>34</b>	<b>34</b>

Source: Official Airline Guide  
Prepared by: Ricondo & Associates, Inc.

**Table 3.5**  
Historical Enplanements by Airline

Airline <sup>1</sup>	FY 2001		FY 2002		FY 2003		FY 2004		FY 2005	
	Enplanements	Share								
Southwest	880,199	31.3%	910,321	33.9%	938,910	35.5%	1,006,043	38.3%	1,055,696	36.9%
US Airways Carriers <sup>2</sup>	784,735	27.9%	635,127	23.6%	543,723	20.5%	554,345	21.1%	581,681	20.3%
Delta Carriers <sup>2</sup>	323,222	11.5%	351,606	13.1%	394,338	14.9%	314,669	12.0%	292,105	10.2%
United Carriers <sup>2</sup>	217,256	7.7%	218,401	8.1%	231,751	8.8%	243,284	9.3%	240,531	8.4%
American Carriers <sup>2</sup>	202,433	7.2%	185,606	6.9%	170,276	6.4%	170,876	6.5%	196,740	6.9%
Northwest Carriers <sup>2</sup>	132,306	4.7%	165,115	6.1%	180,509	6.8%	176,794	6.7%	188,215	6.6%
Continental Carriers <sup>2</sup>	182,969	6.5%	166,087	6.2%	142,364	5.4%	118,508	4.5%	123,970	4.3%
Spirit	-	-	-	-	-	-	-	-	97,952	3.4%
Cape Air	22,087	0.8%	21,095	0.8%	20,375	0.8%	14,720	0.6%	15,260	0.5%
Air Canada (Ontario, Georgian)	17,564	0.6%	15,693	0.6%	10,500	0.4%	7,980	0.3%	8,841	0.3%
All Others <sup>3</sup>	48,778	1.7%	19,795	0.7%	14,231	0.5%	18,441	0.7%	57,925	2.0%
<b>AIRPORT TOTAL <sup>4</sup></b>	<b>2,811,550</b>	<b>100.0%</b>	<b>2,688,847</b>	<b>100.0%</b>	<b>2,646,978</b>	<b>100.0%</b>	<b>2,625,661</b>	<b>100.0%</b>	<b>2,858,917</b>	<b>100.0%</b>

<sup>1</sup> For those airlines that were party to a merger or acquisition, only the surviving entity is presented in this table.

However, the activity for the airlines that are now a part of the surviving airline is included in the information presented.

<sup>2</sup> Includes mainline carrier and its regional affiliates.

<sup>3</sup> Consists of airlines no longer serving the Airport and/or charter airlines.

<sup>4</sup> Totals may not add due to individual rounding.

Sources: Rhode Island Airport Corporation

Prepared by: Ricondo & Associates, Inc.

Table 3.6  
Primary O&D Passenger Markets

FY 1996							FY 2005						
Rank	Market	Nonstop Service <sup>1</sup>	Trip Length <sup>2</sup>	Total O&D Passengers	Average One-Way Fare	Yield per Coupon Mile	Rank	Market	Nonstop Service <sup>3</sup>	Trip Length <sup>2</sup>	Total O&D Passengers	Average One-Way Fare	Yield per Coupon Mile
1	Orlando	●	MH	167,050	\$111	\$0.0962	1	Baltimore	●	SH	510,970	\$61	\$0.1856
2	New York	●	SH	156,220	\$98	\$0.6522	2	Orlando	●	MH	452,930	\$90	\$0.0816
3	Washington	●	SH	130,650	\$173	\$0.4804	3	Philadelphia	●	SH	355,220	\$45	\$0.1873
4	Chicago	●	MH	106,050	\$204	\$0.2387	4	Chicago	●	MH	320,800	\$101	\$0.1179
5	Atlanta	●	MH	59,570	\$215	\$0.2320	5	Tampa	●	MH	289,130	\$87	\$0.0745
6	Palm Beach		MH	55,140	\$126	\$0.0957	6	Washington	●	SH	251,020	\$111	\$0.3038
7	Tampa	●	MH	54,770	\$124	\$0.0997	7	Fort Lauderdale	●	MH	223,940	\$94	\$0.0751
8	Baltimore	●	SH	54,600	\$171	\$0.5209	8	Phoenix	●	LH	135,530	\$129	\$0.0560
9	Fort Lauderdale		MH	52,540	\$124	\$0.0924	9	Atlanta	●	MH	126,420	\$134	\$0.1457
10	Philadelphia	●	SH	50,280	\$207	\$0.8664	10	Detroit	●	MH	110,770	\$123	\$0.1907
11	Fort Myers		MH	43,850	\$115	\$0.0853	11	Las Vegas	●	LH	110,170	\$127	\$0.0525
12	Detroit	●	MH	39,920	\$211	\$0.3374	12	Palm Beach		MH	104,440	\$96	\$0.0757
13	Los Angeles		LH	39,280	\$234	\$0.0891	13	Los Angeles		LH	101,580	\$138	\$0.0523
14	Pittsburgh	●	SH	39,230	\$184	\$0.3887	14	San Diego		LH	101,400	\$142	\$0.0544
15	San Francisco		LH	36,300	\$229	\$0.0836	15	Fort Myers		MH	99,730	\$105	\$0.0828
16	Miami		MH	33,310	\$143	\$0.1027	16	Nashville	●	MH	85,860	\$100	\$0.1065
17	Las Vegas		LH	31,660	\$164	\$0.0690	17	Raleigh		SH	84,750	\$94	\$0.1585
18	San Diego		LH	28,350	\$238	\$0.0918	18	Jacksonville		MH	71,100	\$94	\$0.0885
19	Charlotte	●	MH	27,670	\$213	\$0.3000	19	Dallas		MH	68,860	\$173	\$0.1093
20	Seattle		LH	25,960	\$237	\$0.0911	20	Pittsburgh	●	SH	66,170	\$158	\$0.3212
	Other O&D Markets			812,990				Other O&D Markets			1,801,130		
	O&D Passengers			2,045,390				O&D Passengers			5,471,920		
	Total Passengers			2,155,268				Total Passengers			5,715,440		
	O&D % of Total Passengers			94.9%				O&D % of Total Passengers			95.7%		
<u>Average</u>							<u>Average</u>						
	Airport <sup>4</sup>		1,120		\$178	\$0.1588		Airport <sup>4</sup>		1,091		\$113	\$0.0987
	United States		799		N/A	\$0.1386		United States		862		N/A	\$0.1131

<sup>1</sup> As of June 1996.

<sup>2</sup> (SH) Short Haul = 0 to 600 miles  
(MH) Medium Haul = 601 to 1,800 miles  
(LH) Long Haul = over 1,800 miles

<sup>3</sup> As of June 2006.

<sup>4</sup> Average calculated for all of the Airport's O&D markets.

Sources: O&D Survey of Airline Passenger Traffic, U.S. DOT.

Official Airline Guide

Prepared by: Ricondo & Associates, Inc

decreased significantly since Southwest began serving the Airport. Specifically, the average one-way airfare for the Airport has decreased from \$178 in FY 1996 to \$113 in FY 2005. The largest increase in O&D passengers during this period occurred in Baltimore, from approximately 54,600 passengers in FY 1996 to approximately 510,970 passengers in FY 2005 (a compounded annual growth rate of 28.2 percent during this period). Other primary O&D markets served nonstop by Southwest experiencing significant compounded annual growth rates during this period include Philadelphia (24.3 percent), Nashville (23.0 percent), Phoenix (21.7 percent), Tampa (20.3 percent), Las Vegas (14.9 percent), Chicago (13.1 percent), and Orlando (11.7 percent).

As of June 2006, daily nonstop service was provided to 22 cities with a total of 117 daily flights. Thirteen of the Airport's top 20 O&D markets in FY 2005 had daily nonstop service with a total of 67 flights. In addition, the Airport's top 11 O&D markets in FY 2005 had a total of 62 daily nonstop flights. **Table 3.7** presents the Airport's nonstop markets as of June 2006, including the markets served, daily flights, and airlines providing nonstop service.

### 3.4 Aviation Industry

The projections included herein were prepared on the basis of measurable factors (e.g., socioeconomic variables) that determine aviation activity at the Airport. This section discusses qualitative factors that could influence future aviation activity at the Airport.

#### 3.4.1 National Economy

Air travel demand is directly correlated to income. As consumer income and business profits increase, so does air travel. Economic indicators in the nation prior to September 11 were beginning to show signs of a recession. In November 2001, the National Bureau of Economic Research officially announced that in March 2001 the U.S. economy had entered its 10<sup>th</sup> recession since the end of World War II. The loss of household wealth dampened consumer confidence and significantly reduced consumer spending. According to the Bush Administration's Council of Economic Advisers (Council), business investment slowed sharply in late 2000 and remained soft for more than two years. Also according to the Council, the U.S. economy lost over 900,000 jobs from December 2000 to September 2001, and then lost almost another 900,000 jobs in the three months following September 11.<sup>6</sup> The effects of September 11 accelerated the downturn in consumer spending on consumer goods and services, including spending on air travel.

According to the Council, economic conditions improved substantially in 2003 due to faster growth in household consumption, significant gains in residential investment, and strong growth in investment in equipment and software by businesses. Payroll employment experienced its low in July 2003 and began to show net gains in the latter part of the year.<sup>7</sup> Also according to the Council, the recovery of the national economy became a full-fledged expansion in 2004, with strong output growth and steady improvement in the labor market. In 2004, the economy (real gross domestic product) expanded 4.4 percent for the year as a whole compared to 2003 levels and payroll employment increased by 2.2 million jobs (the largest annual gain since 1999). Such continued growth indicated to the Council that the economy had shifted from a policy-supported recovery to a self-sustaining healthy expansion.<sup>8</sup> This expansion of the U.S. economy continued in 2005, with the economy increasing 3.5 percent for the year as a whole compared to 2004 levels and payroll employment increasing by 2.0 million employees.<sup>9</sup> The expected strong growth in the economy, considered recovered from the effects of September 11 and the economic slowdown, is a factor included in the assumptions underlying the projections included herein.

<sup>6</sup> *Economic Report of the President*, February 2005.

<sup>7</sup> *Economic Report of the President*, February 2004.

<sup>8</sup> *Economic Report of the President*, February 2005.

<sup>9</sup> *Economic Report of the President*, February 2006.

**Table 3.7**  
**Nonstop Markets**

Market	Daily Nonstop Flights	Number of Airlines	Airline
Atlanta	4	2	Atlantic Southeast (2), Delta (2)
Baltimore	12	1	Southwest
Charlotte	5	2	Mesa (1), US Airways (4)
Chicago	12	4	American Eagle (3-ORD), SkyWest (1-ORD), Southwest (4-MDW), United (4-ORD)
Cincinnati	3	2	Comair (2), Delta (1)
Cleveland	4	1	ExpressJet
Detroit	4	1	Northwest
Fort Lauderdale	1	1	Spirit
Hyannis	1	1	Cape Air
Las Vegas	1	1	Southwest
Martha's Vineyard	8	1	Cape Air
Minneapolis	1	1	Northwest
Nantucket	12	1	Cape Air
Nashville	1	1	Southwest
New York	10	3	Colgan (5-LGA), Continental (1-EWR), ExpressJet (4-EWR)
Orlando	5	1	Southwest
Philadelphia	13	5	Air Wisconsin (1), Piedmont (1), Republic (3), Southwest (5), US Airways (3)
Phoenix	2	1	Southwest
Pittsburgh	4	2	Air Wisconsin (3), Republic (1)
Tampa	3	1	Southwest
Toronto	2	1	Air Georgian
Washington	9	3	Air Wisconsin (1-DCA), Trans States (4-IAD), US Airways (4-DCA)
<b>TOTAL DAILY DEPARTURES</b>	<b>117</b>		

Source: Official Airline Guide (June 22, 2006)

Prepared by: Ricondo & Associates, Inc.

### 3.4.2 State of the Airline Industry

#### Overall

The U.S. aviation industry has been significantly affected by a number of events that occurred earlier this decade (e.g., September 11, the economic slowdown, the outbreak of severe acute respiratory syndrome (SARS) in Asia and Canada, and the Middle East conflicts). These events contributed to substantial financial losses for the aviation industry between 2001 and 2005. At this time, the combined impacts of escalating high fuel prices and lower fares nationally are detrimental to the U.S. legacy carriers being profitable on an annual basis.<sup>10</sup>

Since the events of September 11 and the nationwide economic slowdown, numerous U.S. passenger airlines and Air Canada filed for bankruptcy court protection:

- US Airways filed for bankruptcy court protection under Chapter 11 on August 11, 2002. US Airways and seven subsidiaries subsequently emerged from Chapter 11 on March 31, 2003. US Airways again filed for Chapter 11 bankruptcy court protection on September 12, 2004. On May 19, 2005, US Airways and America West announced a merger agreement, which was subject to approval by the U.S. Bankruptcy Court overseeing US Airways' pending Chapter 11 case and transaction closing. On September 16, 2005, US Airways received final approval from the U.S. Bankruptcy Court to exit bankruptcy court protection and merge with America West. On September 27, 2005, US Airways completed its merger with America West.
- United filed for bankruptcy court protection under Chapter 11 on December 9, 2002. United emerged from bankruptcy court protection on February 1, 2006.
- Hawaiian filed for bankruptcy court protection under Chapter 11 on March 21, 2003. Hawaiian emerged from Chapter 11 on June 1, 2005.
- Air Canada filed for reorganization under Canada's Companies' Creditors Arrangement Act on April 1, 2003. Air Canada emerged from bankruptcy protection on September 30, 2004.
- Midway was placed into Chapter 7 liquidation by a U.S. bankruptcy court judge on November 30, 2003.
- ATA filed for bankruptcy court protection under Chapter 11 on October 26, 2004. On December 21, 2004, the U.S. Bankruptcy Court granted approval for Southwest to acquire lease rights to six gates and a maintenance hangar at Midway Airport for \$40 million, to provide \$47 million in financing, and to make an investment of \$30 million in ATA once it emerges from Chapter 11. The agreement created the first significant code-share arrangement for both airlines, which became effective on February 4, 2005. ATA emerged from bankruptcy court protection on February 28, 2006.
- Aloha filed for bankruptcy court protection under Chapter 11 on December 30, 2004.
- Delta filed for bankruptcy court protection under Chapter 11 on September 14, 2005.
- Northwest filed for bankruptcy court protection under Chapter 11 on September 14, 2005.
- Mesaba filed for bankruptcy court protection under Chapter 11 on October 13, 2005.
- Independence Air filed for bankruptcy protection under Chapter 11 on November 7, 2005, and ceased operations nationwide on January 6, 2006.

According to the FAA, aviation activity nationwide was already in a weakened state even before the events of September 11 and the airline industry was headed toward one of its worst years in over a decade. Also according to the FAA, passenger demand began to decline in February 2001 and air carrier finances turned

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<sup>10</sup> The term "legacy carriers" refers to major U.S. airlines in operation today that were in business before airline deregulation in 1978.

negative in the first quarter of CY 2001, primarily due to declining high-yield business traffic and rapidly escalating labor costs. In response to weak demand following September 11, airlines were forced to reduce fares to stimulate demand, creating a further reduction in airline revenues. According to the Air Transport Association, the financial condition of the U.S. airline industry remains poor and has a considerable way to go before it can be declared healthy. This organization reported that in 2005 the industry added \$5.6 billion to the \$29.3 billion in losses incurred between 2001 and 2004 (excluding extraordinary restructuring charges and gains during this five-year period); however, those losses are expected to be approximately \$2 billion in 2006, which could transition the aviation industry into profits in 2007. The airlines have responded to the changing nature of the industry by furloughing employees, negotiating significant wage reductions, deferring aircraft deliveries, streamlining operations, and improving productivity. However, high fuel prices coupled with intense fare competition, as well as massive debt and large unfunded pension obligations, will make the industry's financial recovery difficult in the short term.

Faced with the growth of low-cost carriers and evolving business technology, U.S. legacy airlines have been forced to change business practices. Carriers that once structured their services around the business traveler during the economic boom in the 1990s found that more and more businesses were either switching to low-cost carriers or significantly reducing or eliminating business travel. U.S. legacy carriers were therefore forced to reduce, eliminate, or switch service on unprofitable routes to smaller regional jets, reduce work force and implement pay cuts, and reduce fares in order to compete with low-cost carriers.

A major tangible change in the airline industry has been the significantly increased use of smaller, regional jets. According to the U.S. DOT, scheduled flights on regional jets increased from 91,960 departures in July 2000 to 294,698 in July 2005, a compounded annual growth rate of 26.2 percent during this period. As the U.S. airline industry continues to recover from the effects of September 11 and other factors cited earlier, other trends that have emerged include (1) more widespread use of simplified fare structures, (2) the growth of competition by low-cost carriers in long haul markets, (3) increased efficiency and productivity, and (4) declining real fares.

Most industries have one or more of three inherent structural weaknesses: labor intensive, capital intensive, and/or vulnerability to cost and supply of a key commodity (e.g., aviation fuel). Airlines have all three weaknesses. As indicated above, four of the six U.S. legacy carriers have undergone or are currently undergoing reorganization under Chapter 11 since the events of September 11. Chapter 11 protection enables these carriers to pursue cuts in wages, as well as pension and health benefits for workers and retirees. American and Continental are the two U.S. legacy carriers that have not filed for bankruptcy protection since the events of September 11, which may or may not become an issue during the projection period.

### **Southwest**

In January 2006, Southwest reported financial results for CY 2005. Southwest reported its 33<sup>rd</sup> consecutive year of profitability, one of only a few airlines that achieved a profit in CY 2005, with an annual net income of \$548 million in CY 2005, compared to \$313 million in CY 2004. By comparison, U.S. passenger carriers combined reported \$5.6 billion in net losses for CY 2005. However, Southwest is expected to face greater financial challenges in CY 2006 due to fuel and labor costs. Southwest was able to hedge 80 percent of its fuel prices at \$26 a barrel in CY 2005. In CY 2006, only 70 percent of Southwest's fuel is hedged at \$36 a barrel. In addition to its fuel concerns, Southwest's contract with its pilots becomes amendable in September 2006. In April 2006, Southwest reported first quarter net income of \$61 million compared to \$59 million for first quarter 2005. According to the Southwest news release, strong load factors and revenue trends have continued for the carrier in April 2006, and customer bookings for the remainder of second quarter 2006 are strong.

### 3.4.3 Factors Directly Affecting the Airline Industry

#### Cost of Aviation Fuel

According to the Air Transport Association, the high price of fuel is preventing the U.S. airline industry from being profitable. As industry fundamentals go, the price of fuel is the most significant force affecting the industry today.<sup>11</sup> With the price of fuel today, compared to the price of fuel in 2000, the airlines are struggling to make a profit. The average price of jet fuel was \$0.81 per gallon in 2000 compared to \$1.66 in 2005. According to the Air Transport Association, every one-cent increase in the price per gallon increases annual airline operating expenses approximately \$199 million.

Also according to the Air Transport Association, the airline industry paid approximately \$10.4 billion more for fuel in 2005 than in 2004. The price of jet fuel has forced some airlines to find ways of becoming more fuel efficient, and some airlines have found ways to save millions of dollars by taking many steps including using newer, more fuel-efficient airplanes, using only a single engine for taxi, lowering cruise speeds, onboard weight reduction, more direct routes, and other measures. In the initial years following the events of September 11 and the nationwide economic slowdown, some U.S. airlines attempted to pass the higher fuel costs on to consumers by increasing the fuel surcharge; however, some of these attempts were unsuccessful as many airlines, particularly low-cost carriers, refused to match the increase in a number of instances. With the significant increases in fuel prices in recent months, airlines are more consistently matching fuel surcharges by other airlines.

Industrywide, airlines still spend more on labor than fuel; however, the gap is narrowing as fuel has increased to more than \$2.00 per gallon in recent months and airlines have aggressively cut or restrained labor costs. According to the Air Transport Association, labor accounted for 31 percent of industry expenditures while fuel accounted for 17 percent in 2004. In 2003, these percentages were 36 percent and 13 percent, respectively. AirTran, America West, JetBlue, and US Airways reported paying more for fuel than for labor during the second quarter of 2005.

Airlines have hedged fuel prices through the purchase of oil futures contracts; however, the amount of hedged fuel cost has varied tremendously by airline and is limited by an individual airline's financial condition. The substantial increase in fuel prices has had a significant impact on profitability and future increases or sustained higher prices could affect airfares and airline service.

#### Airport Security

With enactment of the Aviation and Transportation Security Act (ATSA) in November 2001, the Transportation Security Administration (TSA) was created, which established different and improved security processes and procedures. The ATSA mandates certain individual, cargo and baggage screening requirements, security awareness programs for airport personnel and deployment of explosive detection devices. The act also permits the deployment of air marshals on all flights and requires air marshals on all "high-risk" flights. To finance these federal security services, the ATSA provides for payment by the airlines of approximately \$700 million, estimated to be the cost of providing such services prior to the events of September 11, and imposes a passenger fee of \$2.50 for each flight segment, not to exceed \$5.00 per one-way trip.

In November 2002, Congress enacted the Homeland Security Act, which created the Department of Homeland Security (DHS) to accomplish several primary goals: (1) prevent terrorist attacks within the United States, (2) reduce the nation's vulnerability to terrorism, (3) minimize the damage of and assist in the recovery from terrorist attacks that do occur, (4) and monitor connections between illegal drug trafficking and terrorism and coordinate efforts to sever such connections. The TSA is now a part of the DHS.

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<sup>11</sup> *Statement for the Record Before the Committee on Commerce, Science & Transportation Subcommittee on Aviation, United States Senate. Hearing on Airline Financial Stability, Air Transport Association, July 13, 2005.*

The Homeland Security Act extended the federal government's guarantee of war-risk insurance to airlines through at least August 31, 2006 and, at DHS's option, through December 31, 2006. The Homeland Security Act caps the total premium paid by any airline for war-risk insurance at no more than twice the premium the airline was paying the U.S. DOT for its third-party policy as of June 19, 2002. The Homeland Security Act also requires that carriers include methods of self-defense within their security training programs for flight attendants, as well as strengthened cockpit doors in aircraft. The Act also requires DHS to establish a program for arming pilots, though participation in the program remains voluntary.

### **Threat of Terrorism**

As has been the case since September 11, the recurrence of terrorism incidents against either domestic or world aviation during the projection period remains a risk to achieving the activity projections contained herein. Tighter security measures have restored the public's confidence in the integrity of U.S. and world aviation security systems. Any terrorist incident aimed at aviation would have an immediate and significant impact on the demand for aviation services.

## **3.5 Passenger Activity Projections**

Projections of aviation demand were prepared on the basis of local socioeconomic and demographic factors, the Airport's historical market share of U.S. enplanements, and anticipated trends in air carrier usage of the Airport.

The market share and socioeconomic regression methodologies were used for projecting enplanements at the Airport.

- **Market Share Approach.** In this methodology, judgments were made as to how and to what extent the Airport's rate of growth will differ from that projected for the nation by the FAA. On a macro scale, the U.S. projection provides a growth base reflecting how industry traffic in general is anticipated to grow in the future. The growth rate used for the Airport can be reflected as an increase or decrease in its future share of the market.
- **Socioeconomic Regression Approach.** Statistical linear regression modeling was used in this methodology, with local socioeconomic factors as the independent variable and enplaned passengers as the dependent variable. Socioeconomic factors utilized in these analyses included population, income, per capita income, and employment. Of interest in the analyses, among other factors, was how well each socioeconomic variable explained the annual variations in enplaned passengers at the Airport (i.e., the model's correlation coefficient).

The resultant projections were based on a number of underlying assumptions, including:

- Long-term projections of activity will increase as a result of expected growth in socioeconomic conditions in the Air Trade Area.
- The Airport will continue its role of serving primarily O&D passengers and providing nonstop service to the majority of its major markets. The composition of its air carrier base will continue to foster competitive pricing and scheduling diversity. In addition, the Airport will continue to serve primarily short-and medium-haul markets.
- Continued high fuel prices in the short term will likely have an adverse impact on airline profitability, as well as hamper the recovery plans and cost-cutting efforts of certain airlines. Higher fuel prices may cause changes in air service at the Airport; however, the passenger demand for its major O&D markets will continue to be served during the projection period.
- Low-fare service will continue to be an important component of air service at the Airport, providing a niche of air travel demand that will continue during the projection period. However, the loss of enplaned passengers from Independence Air ceasing activity nationwide in mid-FY 2006 and from

temporarily reduced service at the Airport by Spirit during this same period (based on published schedules included in the Official Airline Guide) will not readily be recaptured by other airlines serving the Airport.

- American replaced its mainline service to Chicago at the Airport with its code-share partner American Eagle and discontinued its mainline service to Dallas in April 2006. Chicago passengers will continue to be served by its code-share partner American Eagle thereafter for the remainder of the projection period.
- Airline consolidation/mergers (such as US Airways and America West) that may occur during the projection period are not likely to negatively impact passenger activity levels at the Airport due to its high percentage of O&D passengers. New airline alliances, should they develop, will be restricted to code sharing and joint frequent flyer programs, and should not reduce airline competition at the Airport.
- Individual airline bankruptcies or liquidations may occur during the projection period; however, over the long term, they will not adversely impact passenger activity levels projected herein. Although service deficiencies may occur in the short term following any airline bankruptcies or liquidations, it is assumed that other carriers will fill the demand left by the specific bankrupt or liquidated carrier in the long term. Consequently, any bankruptcies or consolidations will not result in a major contraction of the aviation industry during this period.
- For these analyses, and similar to the FAA's assumptions for its nationwide projections, there will not be any terrorist incidents that negatively impact U.S. air traffic demand during the projection period.
- Economic disturbances will occur during the projection period causing year-to-year traffic variations; however, a long-term increase in nationwide traffic is expected to occur.

Many of the factors influencing aviation demand cannot necessarily nor readily be quantified. As a result, the projection process should not be viewed as precise, particularly given the major structural changes that have occurred in the aviation industry since airline deregulation. Actual future traffic levels at the Airport may differ from projections presented herein because of unforeseen events.

**Table 3.8** presents historical and projected enplanements for the Airport's majors/nationals and regionals/commuters.<sup>12</sup> Total enplanements are projected to decrease from 2,858,917 in FY 2005 to 2,804,100 in FY 2006, and then increase slightly to 2,829,200 in FY 2007. These projected activity levels incorporate the termination of activity nationwide by Independence Air in mid-FY 2006, as well as Spirit's reduced service at the Airport during this same period. In addition, a shifting of service from the majors/nationals to the regionals/commuters is projected during this period due to American's change in service at the Airport in April 2006. During the remainder of the projection period, total enplanements are projected to reach 3,299,400 in FY 2014. This increase represents a compounded annual growth rate of 2.2 percent between FY 2007 and FY 2014, compared to 3.1 percent projected for domestic enplanements nationwide by the FAA. The compounded annual growth rate in enplanements is consistent with long-term historical growth at the Airport when enplanements are correlated with local socioeconomic factors. Between FY 1998 and FY 2005, the share of regional/commuter enplanements at the Airport ranged from approximately 9.0 percent to approximately 12.0 percent. With American shifting its mainline service to its code-sharing partner American Eagle in April 2006, this market share is projected to reach approximately 14.0 percent in FY 2007 and remain relatively constant at this level during the remainder of the projection period.

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<sup>12</sup> For projection purposes, a major/national carrier has the majority of its scheduled and/or nonscheduled service using aircraft with more than 90 seats.

**Table 3.8**  
Enplanement Projections

Fiscal Year	Majors/ Nationals	Regionals/ Commuters	Airport Total
<u>Historical</u>			
1998	1,934,719	249,676	2,184,395
1999	2,166,104	252,957	2,419,061
2000	2,364,355	287,234	2,651,589
2001	2,540,452	271,098	2,811,550
2002	2,416,272	272,575	2,688,847
2003	2,408,747	238,231	2,646,978
2004	2,395,724	229,937	2,625,661
2005	2,512,585	346,332	2,858,917
<u>Projected</u>			
2006	2,427,900	376,200	2,804,100
2007	2,437,300	391,900	2,829,200
2008	2,499,300	405,200	2,904,500
2009	2,558,100	418,200	2,976,300
2010	2,614,800	431,100	3,045,900
2011	2,670,500	443,800	3,114,300
2012	2,720,500	455,900	3,176,400
2013	2,770,700	468,100	3,238,800
2014	2,818,500	480,900	3,299,400
<u>Compounded Annual Growth Rate</u>			
1998 - 2001	9.5%	2.8%	8.8%
2001 - 2004	-1.9%	-5.3%	-2.3%
2004 - 2005	4.9%	50.6%	8.9%
2005 - 2006	-3.4%	8.6%	-1.9%
2006 - 2007	0.4%	4.2%	0.9%
2007 - 2014	2.1%	3.0%	2.2%

Sources: Rhode Island Airport Corporation (historical)

Ricondo & Associates, Inc. (projected)

Prepared by: Ricondo & Associates, Inc.

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## Rental Car Demand

Chapters 2 and 3 of this report discuss the stability and diversity of the Air Trade Area and historical and projected passenger levels. This chapter focuses on rental car demand at the Airport and its relationship to destination passenger levels--presenting an overview of the rental car industry, a description of recent trends and events occurring in the rental car industry nationwide, a review of the Airport rental car market (current rental car operators, historical rental car activity, and the nature of Airport rental car activity), a discussion of factors that may influence rental car demand at the Airport, and a projection of Airport rental car transaction days.

As discussed in more detail in Section 5.6.1 of this report, the number of rental car transaction days at the Airport is the basis for CFC collections at the Airport and is related to passenger levels.<sup>1,2</sup> A CFC of \$3.75 per transaction day is currently charged to Airport rental car customers.

### 4.1 Industry Overview

The U.S. rental car market consists of two basic components: 1) the airport market and 2) the local/insurance replacement market. According to Auto Rental News, the airport rental car market accounted for 46 percent of total U.S. rental car gross sales in CY 2004. This was the first time in history the airport market was lower than the local/insurance replacement market, as more and more people are renting cars in their home towns for needs beyond the replacement of cars being repaired, including leisure needs, the need for an extra car, corporate needs, and vacations. As discussed later in this section, the U.S. airport rental market, which declined dramatically following the events of September 11, has grown since CY 2002.

As shown on **Table 4.1**, Enterprise has the largest share (33.8 percent) of the total U.S. rental car market with \$6.4 billion of gross sales for CY 2005 due in large part to its dominance of the insurance/car replacement market. Enterprise accounted for only 5.3 percent of gross sales at the top 100 U.S. airport markets for the 12 month period ending June 30, 2004, but has begun to increase its focus at airport markets. Enterprise is the fastest-growing rental car company in the airport segment, having grown from one on-airport location in 1995 to more than 200 currently. Enterprise opened 39 on-airport locations in the last year and continues to add two to three on-airport locations each month. In 2005, Enterprise ranked highest in the J.D. Power and Associates Rental Car Satisfaction Study for airport car rentals.

Six major rental car companies dominate the U.S. airport rental car market: Avis, Budget, Dollar, Enterprise, Hertz, and Vanguard. As reflected in Table 4.1, these six companies accounted for 93.2 percent of gross revenues at the top 100 U.S. airport rental car markets for the 12 month period ending June 30, 2004.

Several ownership changes occurred in the late 1990s due, in large part, to the actions of the major U.S. automakers. In the late 1980s and early 1990s, most rental car companies were owned by automobile manufacturers and used as an outlet for unsold automobiles. As a result, rental car agencies were able to purchase automobiles with very favorable terms. By the mid 1990s, however, the automobile industry's financial condition improved, and the need to sell excess car inventories to the rental car industry diminished. As a result, most of the major automobile manufacturers divested themselves from rental car companies in the late 1990s. As the rental car companies became stand-alone businesses, their profit margins became thinner in part because the cost of supplying automobile fleets increased.

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<sup>1</sup> The number of rental car transaction days is the total number of days cars are rented for all rental car transactions.

<sup>2</sup> A customer facility charge (CFC) is a fee imposed by an airport upon the customer of the rental car companies to fund a portion of the rental car facility. These fees are typically based on rental car transaction days, although some CFCs are charged on a per-contract basis.

**Table 4.1**

U.S. Rental Car Company Market Share  
 Sorted by U.S. Market Share CY 2005  
 (Dollars in Billions)

Company	Total U.S. Rental Car Market				Top 100 U.S. Airport Rental Car Markets			
	CY 2004		CY 2005		FY 2003		FY 2004	
	Gross Revenues	Share	Gross Revenues	Share	Gross Revenues	Share	Gross Revenues	Share
Enterprise	\$5.830	33.1%	\$6.400	33.8%	\$0.373	4.5%	\$0.465	5.3%
Hertz	3.500	19.8%	3.870	20.5%	2.324	28.1%	2.487	28.4%
Avis <sup>1</sup>	2.280	12.9%	2.450	13.0%	1.736	21.0%	1.751	20.0%
Vanguard <sup>2</sup>	1.840	10.4%	1.930	10.2%	1.797	21.7%	1.810	20.7%
Other	1.370	7.8%	1.370	7.2%	0.130	1.6%	0.174	2.0%
Budget <sup>1</sup>	1.130	6.4%	1.220	6.5%	0.885	10.7%	0.903	10.3%
Dollar <sup>3</sup>	1.009	5.7%	0.980	5.2%	0.675	8.1%	0.747	8.5%
Thrifty <sup>3</sup>	0.679	3.8%	0.693	3.7%	0.360	4.3%	0.415	4.7%
TOTAL <sup>4</sup>	\$17.638	100.0%	\$18.913	100.0%	\$8.279	100.0%	\$8.752	100.0%

<sup>1</sup> A brand of the Cendant Car Rental Group.

<sup>2</sup> Brands include Alamo and National.

<sup>3</sup> A brand of the Dollar Thrifty Automotive Group.

<sup>4</sup> Totals may not add due to individual rounding.

Source: Auto Rental News

Prepared by: Ricondo & Associates, Inc.

Significant changes in ownership have occurred in the rental car industry since CY 2002. Several companies have undergone a change in controlling ownership following bankruptcy proceedings. In CY 2002, the ANC Rental Corporation (ANC) (the parent company of Alamo and National) filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. In CY 2003, Cerberus Capital Management bought ANC and the corporate name of ANC has since been changed to Vanguard Car Rental USA, Inc. In CY 2002, Budget Rent A Car filed for Chapter 11 bankruptcy and was purchased later that same year by the Cendant Car Rental Group (the parent company of Avis). In December 2005, Hertz was acquired by three leading private equity investment companies: Clayton, Dubilier & Rice, The Carlyle Group, and Merrill Lynch Global Private Equity.

These events indicate that the rental car industry is attempting to adjust to new market conditions. However, the U.S. airport rental car market has generally followed airline passenger activity and this relationship should continue even with restructuring within the industry. While the market shares of the individual rental car companies may change, the total U.S. airport rental car market will continue to grow or shrink primarily as a function of airline passenger activity. As described in Chapter 3, the FAA has projected 3.1 percent growth in domestic U.S. enplanements between FY 2007 and FY 2013.

## **4.2 Industry Trends**

This section presents a review of historical rental car industry activity trends, a discussion of consolidated rental car facilities, and a discussion of airport taxes and surcharges that have been added to a customer's total rental car charge.

### **4.2.1 Rental Car Industry Activity**

As shown on **Exhibit 4.1**, total U.S. rental car gross sales have grown steadily since CY 2002, with 7.2 percent growth in both CY 2004 and CY 2005, as both nationwide enplaned passenger levels and local/insurance replacement market activity have increased in recent years. The decreases in total U.S. rental car gross sales in CY 2001 and CY 2002 were related to the downturn in the economy (beginning as early as CY 2000) and the downturn in airline passenger activity nationwide following the events of September 11.

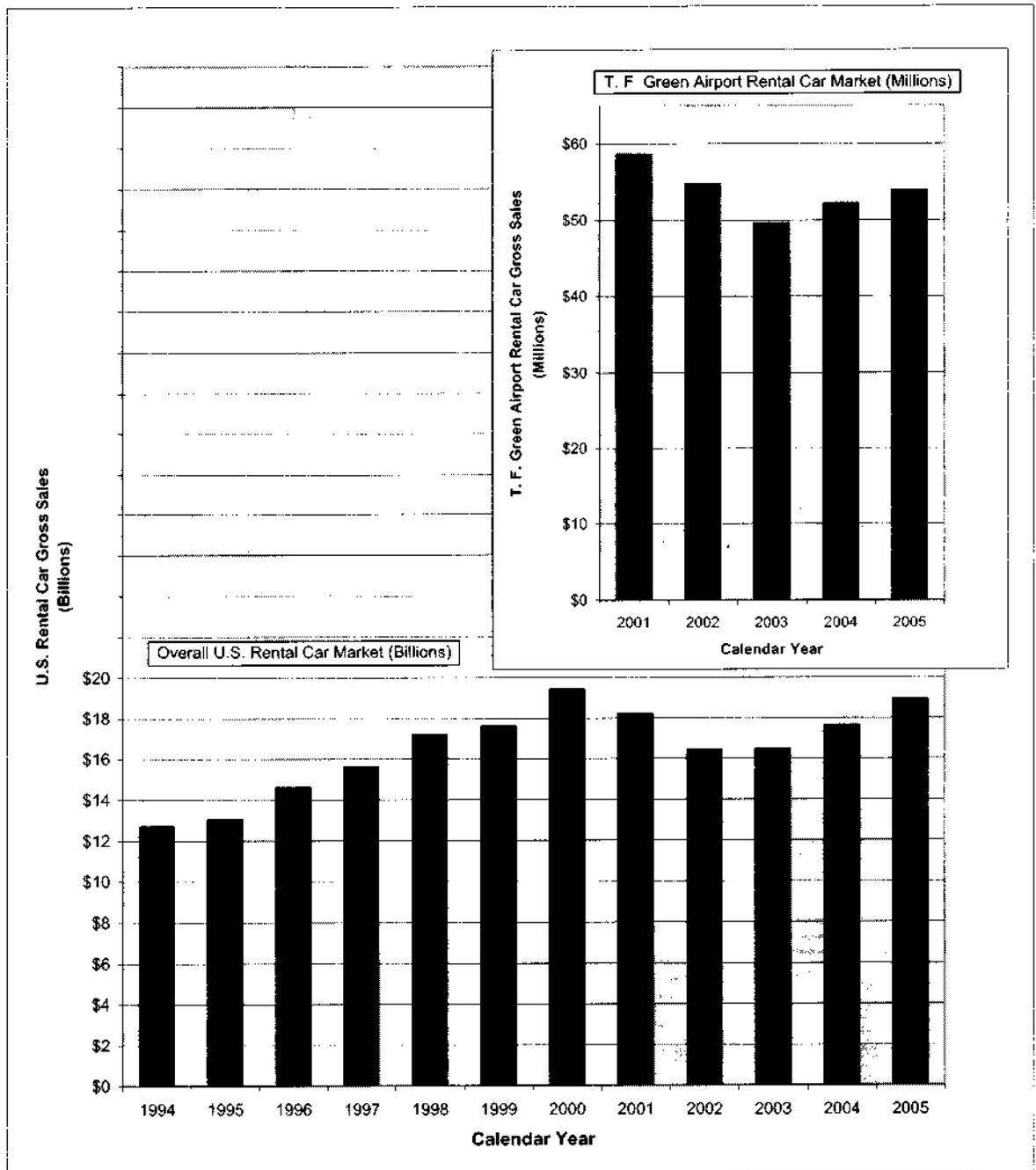
U.S. airport rental car markets generally experienced declines in rental car gross sales, transactions, and transaction days following the downturn in the economy and the events of September 11. In the last two calendar years, rental car activity trends at the Airport (and a number of other U.S. airports) have reversed—with increases in gross rental car sales, transactions, and transaction days.

Although growth of the U.S. airport rental car market is influenced by factors such as the economy and car rental rates, it is primarily related to O&D passenger activity—more specifically, destination passenger levels. Gross revenues at the top 100 U.S. airport rental car markets have grown each year since CY 2002. As shown on **Table 4.1**, gross sales for the top 100 U.S. airport rental car markets grew from \$8.3 billion in the 12 month period ending June 30, 2003 to \$8.8 billion in the 12 month period ending June 30, 2004 - this represents an increase of 5.7 percent. Based on Air Transport Association data for its passenger airlines (representing over 90% of U.S. revenue passenger miles), U.S. enplaned passengers grew 4.7 percent for the same period.

A recent report from American Express Business Travel projects that while rental car companies have recently been paying more to acquire new cars and finance such cars, business travel is rebounding and travel prices are expected to trend upward in 2006—up to 8% for airfares and car rental rates. Runzheimer International ([www.runzheimer.com](http://www.runzheimer.com)), a cost control and travel consultant for businesses and government agencies, predicts an increase in overall corporate travel spending of 12% in 2006—a combination of more travel and higher costs. Runzheimer predicts a 7% jump in corporate spending on rental cars from a combination of increased use and higher rates.

Exhibit 4.1

U.S. Rental Car Market and T. F. Green Airport Rental Car Gross Sales



Sources: Rhode Island Airport Corporation (Airport data)  
 Auto Rental News (U.S. data)  
 Prepared by: Ricondo & Associates, Inc.

#### **4.2.2 Consolidated Rental Car Facilities**

As airline passenger activity grew in the 1990s, so did airport landside congestion. Remote consolidated rental car facilities became a popular means for airport operators to address this congestion problem. Instead of each rental car company having its own shuttle bus system to transport customers to and from individual remote sites, a consolidated facility brings all the on-airport rental car companies together at a single location. A single transit system, typically a bus system, transports rental car customers to and from the terminal.

The first consolidated rental car facilities in the U.S. were completed in the late 1990s. Typically, the primary source of funding for these facilities has been special facility bonds backed by a CFC, which is a fee imposed by an airport upon the customers of the rental car companies to fund a portion of the costs of these facilities. As previously mentioned, these fees are typically based on rental car transaction days, although some CFCs are charged on a per-contract basis.

#### **4.2.3 Airport Taxes and Surcharges**

Airline taxes and surcharges received a lot of attention from the rental car industry during the 1990s, both in terms of opposing new taxes to pay for non-rental car-related facilities (such as convention centers and sports arenas) or promoting the pass through of charges (such as airport concession fees) to their customers. In an industry that rarely can sustain rate increases, the pass-through movement began in the late 1990s as a result of car rental companies looking for innovative ways to become more profitable. As a result, rental car companies began implementing pass-throughs of concession fees, access fees, and state license and title fees. Airports also began adding airport taxes to pay for consolidated rental car facilities and automated people movers. A list of rental car customer facility charges at selected U.S. airports is shown in Table 4.5 (later in this chapter).

Based on a recent sampling of both weekday and weekend rental rates at New England airports, taxes and surcharges typically account for approximately 15 to 19 percent of a customer's total rental car charge (as shown on Table 4.4 later in this chapter).

### **4.3 Rental Car Market at the Airport**

As reflected in Table 4.2, the Airport is currently provided rental car service by ten companies that rent parking garage space or terminal building space (or both) from RIAC. As shown, six of the current rental car companies have provided service at the Airport since the opening of the new Airport terminal building in September 1996. Rental car company market shares at the Airport are generally consistent with the market share data reflected on Table 4.1 for the top 100 U.S. airport markets.

Three rental car companies (Avis, Budget, and Hertz) rent both parking garage and terminal building space from RIAC. The seven remaining companies that serve Airport customers rent terminal building space from RIAC.

As of the date of this report, RIAC has executed a Concession Agreement with nine of the ten rental car companies listed on Table 4.2. The last remaining company has confirmed in writing to RIAC its intent to execute the Concession Agreement upon completion of internal reviews. Each of the companies with an executed Concession Agreement will operate from the Intermodal Facility when it opens.

Currently, there are no off-Airport rental car companies (companies that do not rent parking garage or terminal building space from RIAC) serving Airport customers. At this time, RIAC does not anticipate any future off-Airport rental car companies to begin serving Airport customers and, in any case, expects that any future off-Airport service would not be significant. Once the Intermodal Facility is open, any future off-Airport rental car company serving Airport customers will be required to (1) pick up and drop off customers at the Intermodal Facility and (2) charge customers a CFC and remit collections to RIAC.

**Table 4.2**  
**Car Rental Companies Currently Serving the Airport**

Company	Corporate or Franchise Operation	Month-to-Month or Lease Operation	Brand Owned By	Serving the Airport Since
Alamo	Franchise	Month-to-Month	Vanguard Car Rental USA Inc.	June 1999
Avis	Corporate	Lease	The Cendant Car Rental Group	Prior to Sep. 1996
Budget	Corporate	Lease	The Cendant Car Rental Group	Prior to Sep. 1996
Dollar	Franchise	Month-to-Month	The Dollar Thrifty Automotive Group	Prior to Sep. 1996
Enterprise	Corporate	Month-to-Month	Enterprise	October 1996
Hertz	Corporate	Lease	Clayton, Dubilier & Rice; The Carlyle Group; and Merrill Lynch Global Private Equity	Prior to Sep. 1996
National	Franchise	Month-to-Month	Vanguard Car Rental USA Inc.	December 1994
Payless	Franchise	Month-to-Month	Payless	May 1999
Thrifty <sup>1</sup>	Franchise	Month-to-Month	The Dollar Thrifty Automotive Group	December 1994
U-Save	Franchise	Month-to-Month	U-Save	January 2005

<sup>1</sup> The Thrifty franchise operation (owned by Joni Auto Rentals Inc.) is being purchased by the Dollar Thrifty Automotive Group.

Source: Rhode Island Airport Corporation

## 4.4 Historical Rental Car Demand at the Airport

This section discusses historical rental car activity at the Airport for FY 2000 through the first ten months of FY 2006. Rental car demand is primarily measured by the number of rental car transactions and transaction days, and the average number of days per rental car contract (contract duration).

- Rental car transactions: Total number of rental car contracts (or cars rented).
- Rental car transaction days: Total number of days cars are rented for all rental car transactions.
- Average days per transaction: Average number of days for each rental car contract. Equal to total rental car transaction days divided by rental car transactions.

### 4.4.1 Historical Rental Car Gross Sales at the Airport

As shown in Exhibit 4.1, gross rental car sales at the Airport declined following CY 2001 (as a result of the events of September 11) but increased in CY 2004 and CY 2005 as passenger activity recovered. This recovery in rental car activity is consistent with U.S. rental car industry revenue growth also shown in Exhibit 4.1.

As shown on both Exhibit 4.2 and Table 4.3, rental car gross sales at the Airport grew 6.2 percent in FY 2005 (as rental car transaction days grew 6.6 percent and enplaned passengers grew 8.9 percent for the same time period). Airport rental car gross sales for the first ten months of FY 2006 grew 2.5 percent over the same period for FY 2005, while passenger growth for the same period decreased 1.6 percent.

Also reflected on Table 4.3, gross sales per O&D passenger declined from \$23.27 in FY 2000 to \$19.57 in FY 2005 (as a result of a combination of declining rental car activity and O&D passengers), but increased slightly for the first ten months of FY 2006 vs. the same period for FY 2005.

### 4.4.2 Historical Rental Car Activity at the Airport

Table 4.3 reflects historical rental car gross sales, transactions, transaction days, average days per transaction, and the average daily rental rate at the Airport for FY 2000 through FY 2005, with a comparison of the first ten months of FY 2006 and FY 2005.<sup>3</sup>

As shown on Table 4.3, rental car transaction days increased 6.6 percent from FY 2004 to FY 2005, and increased 5.1 percent for the first ten months of FY 2006 compared to the same period for FY 2005. Prior to FY 2005, rental car transactions and transaction days at the Airport (and a number of other U.S. airports) declined following the events of September 11 and the downturn in the U.S. economy.

Exhibit 4.3 reflects monthly rental car transaction days from January 2002 through March 2006. The monthly data clearly show the seasonality of rental car transaction days at the Airport, with peaks in the summer months.

The average daily rental rate at the Airport has remained relatively flat since FY 2000 as shown on Table 4.3. Converted to FY 2005 dollars, based on CPI data, the average daily rental rate at the Airport has decreased from \$46.00 in FY 2000 to \$40.83 in FY 2005.

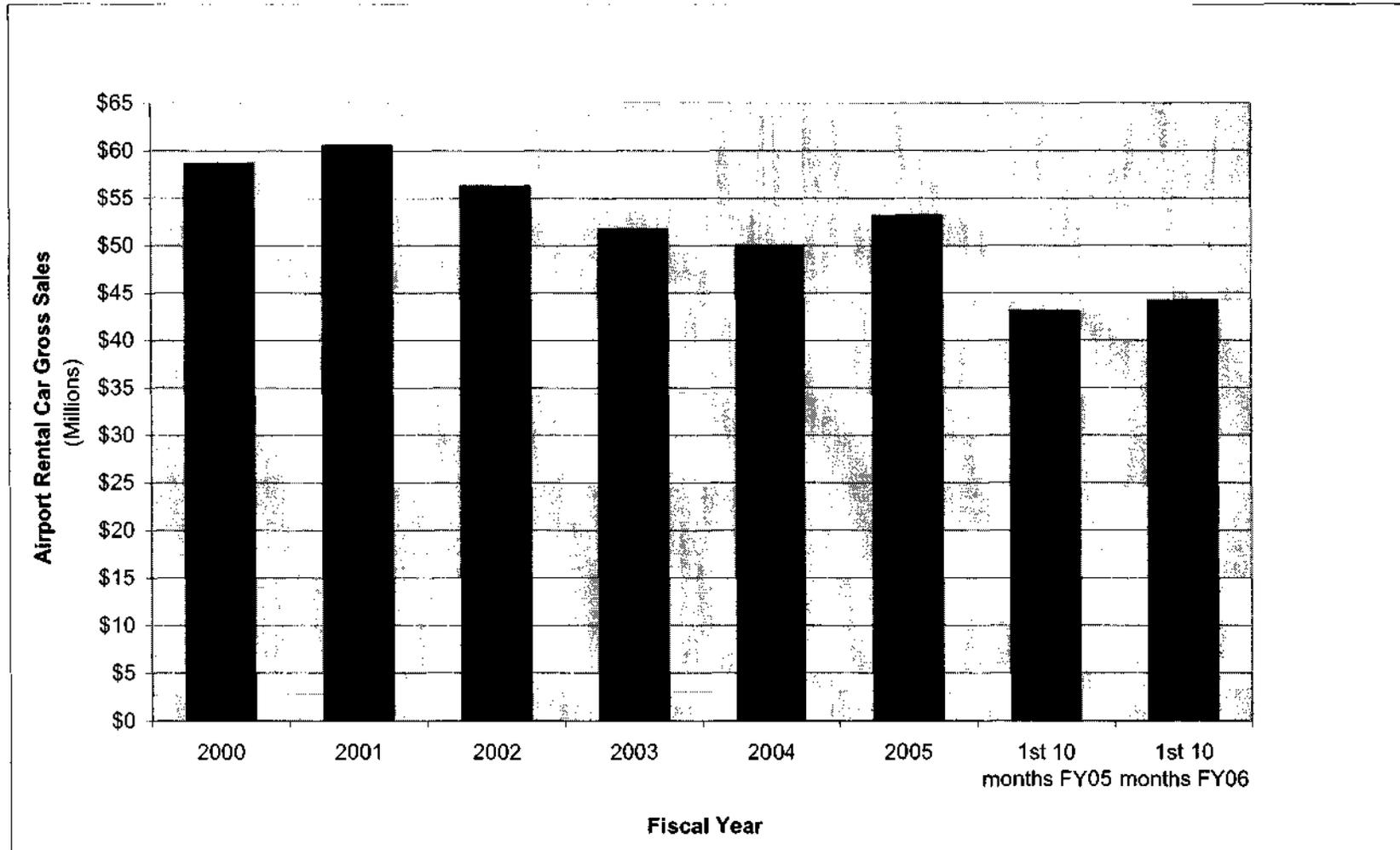
The historical rental car activity at the Airport appears consistent with airport rental car industry trends. Based on rental car activity at the Airport for FY 2005 and the first ten months of FY 2006, rental car demand at the Airport appears to be increasing.

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<sup>3</sup> Rental car transactions and average days per transaction were estimated for FY 2003 through FY 2006.

Exhibit 4.2

Airport Gross Rental Car Sales



Source: Rhode Island Airport Corporation  
Prepared by: Ricondo & Associates, Inc.

**Table 4.3**  
**Historical Rental Car Activity at the Airport**  
**(Fiscal Years Ending June 30)**

		Actual					First 10 months of FY		
		2000	2001	2002	2003	2004	2005	2005	2006
Gross Rental Car Sales	[A]	\$58,610,939	\$60,521,574	\$56,255,995	\$51,719,928	\$50,024,532	\$53,139,346	\$43,071,837	\$44,146,172
Annual % Change			3.3%	-7.0%	-8.1%	-3.3%	6.2%		2.5%
Origin-Destination Enplaned Passengers <sup>1</sup>	[B]	2,519,010	2,670,973	2,554,405	2,514,629	2,494,378	2,715,971	2,233,012	2,197,911
Annual % Change			6.0%	-4.4%	-1.6%	-0.8%	8.9%		-1.6%
Gross Rental Car Sales Per Origin-Destination Enplaned Passenger	[A] / [B]	\$ 23.27	\$ 22.66	\$ 22.02	\$ 20.57	\$ 20.05	\$ 19.57	\$ 19.29	\$ 20.09
Annual % Change			-2.6%	-2.8%	-6.6%	-2.5%	-2.4%		4.1%
Rental Car Transactions <sup>2</sup>	[C]	375,623	391,061	351,626	336,100	318,900	339,900	275,000	289,000
Annual % Change			4.1%	-10.1%	-4.4%	-5.1%	6.6%		5.1%
Per Origin-Destination Enplaned Passenger	[C] / [B]	0.149	0.146	0.138	0.134	0.128	0.125	0.123	0.131
Rental Car Transaction Days	[D]	1,445,227	1,497,884	1,346,836	1,287,314	1,221,295	1,301,626	1,053,321	1,106,877
Annual % Change			3.6%	-10.1%	-4.4%	-5.1%	6.6%		5.1%
Per Origin-Destination Enplaned Passenger	[D] / [B]	0.574	0.561	0.527	0.512	0.490	0.479	0.472	0.504
Average Days Per Transaction <sup>2</sup>	[D] / [C]	3.85	3.83	3.83	3.83	3.83	3.83	3.83	3.83
Average Daily Rental Rate	[A] / [D]	\$40.55	\$40.40	\$41.77	\$40.18	\$40.96	\$40.83	\$40.89	\$39.88
In 2005 dollars <sup>3</sup>		\$46.00	\$44.56	\$45.35	\$42.65	\$42.35	\$40.83		
Annual % change			-3.1%	1.8%	-5.9%	-0.7%	-3.6%		

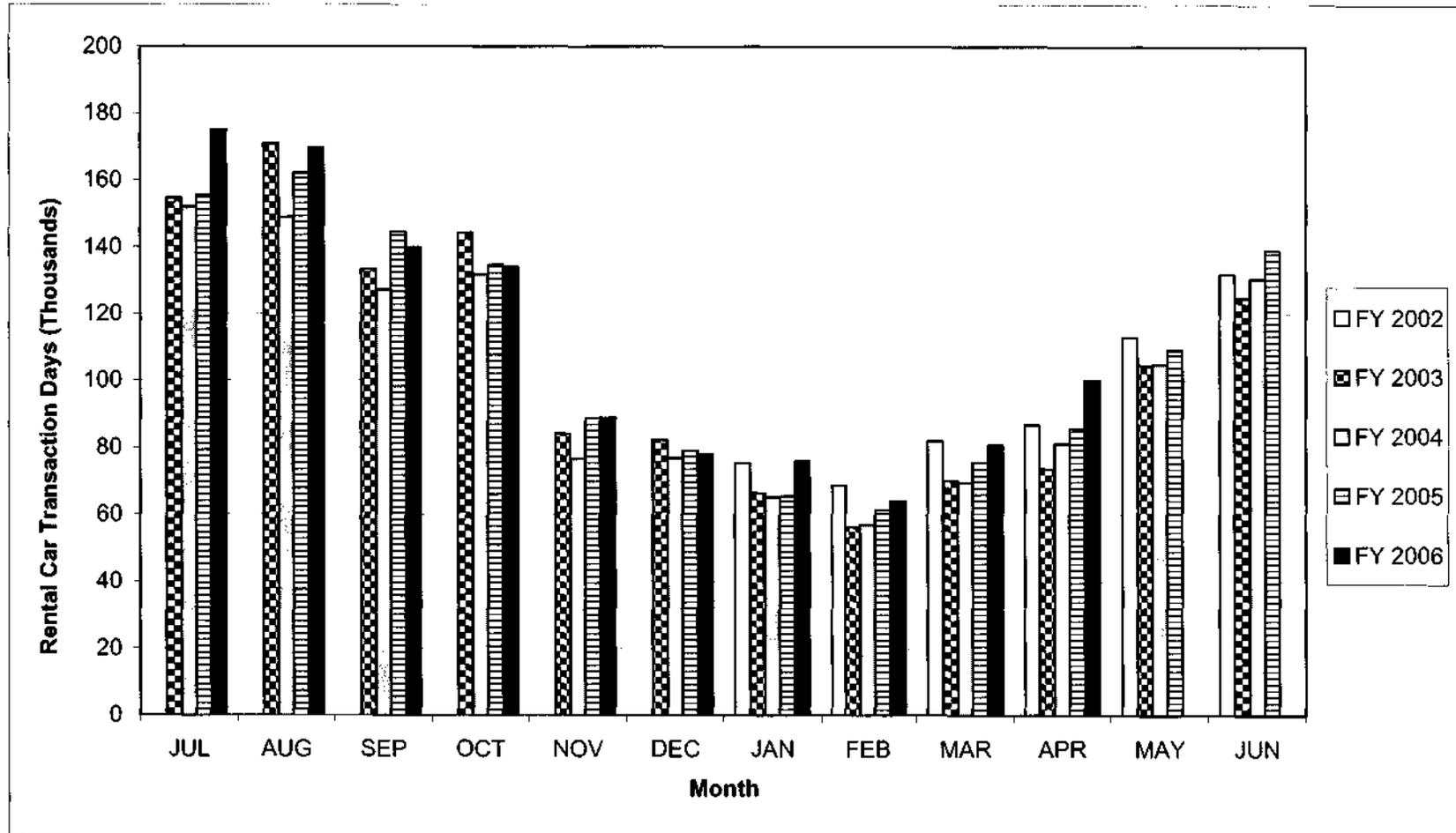
<sup>1</sup> Assumed to be 95% of enplaned passengers. Based on historical data.

<sup>2</sup> Estimated for FY 2003-FY 2006.

<sup>3</sup> Based on historical Consumer Price Index data.

Prepared by: Ricondo & Associates, Inc.

Airport Monthly Rental Car Transaction Days



Source: Rhode Island Airport Corporation  
Prepared by: Ricondo & Associates, Inc.

### 4.4.3 Nature of Rental Car Activity at the Airport

Although recent survey data for Airport rental car customers is not available, according to survey data from the preliminary economic impact study currently being prepared by Wilbur Smith Associates for the Airport, approximately 57 percent of Airport passengers surveyed were business travelers, approximately 39 percent were leisure travelers, and approximately 4 percent were traveling for both business and leisure purposes. According to the same study (which incorporated approximately 1,000 surveys completed in October 2005--associated with approximately 1,400 visitors), the average length of stay was 3.5 days for business travelers and 7.0 days for leisure travelers.

## 4.5 Factors Influencing Rental Car Demand at the Airport

Rental car customers make decisions based primarily on rental rates and convenience, and other secondary factors. This section discusses specific factors that could influence rental car demand at the Airport—including rental rates, CFC level, the potential impact of the Intermodal Facility, the off-Airport and local rental car markets, and other demand factors.

### 4.5.1 Car Rental Rates

Table 4.4 reflects two-day leisure (weekend) and three-day business (weekday) rental car rates for the Airport and six other New England/Northeast airport markets including Boston, Hartford, Burlington, Portland, Manchester, and Albany. Rental rates were obtained from the Hertz website and were based on the following:

Two-day weekend rental (leisure):

- Pick up Friday, April 21<sup>st</sup> at 5pm
- Drop off Sunday, April 23<sup>rd</sup> at 5pm
- Standard size car (Grand Am, Alero, or similar)

Three-day weekday rental (business):

- Pick up Monday, April 17<sup>th</sup> at 10am
- Drop off Thursday, April 20<sup>th</sup> at 10am
- Standard size car (Grand Am, Alero, or similar)

As shown, weekend car rental rates at the Airport (based on the above assumptions) are lower than five of the six other airports, with Manchester having the lowest reported rates. For weekday car rentals, rates at the Airport (based on the above assumptions) are lower than rates reported for Boston and Hartford, but higher than other airports shown.

Table 4.4 also reflects the breakdown of other charges and taxes charged at each airport. The Airport, Manchester, and Burlington are the only airports that have customer facility charges (charged per day). Boston charges customers a \$10.60 per contract convention center surcharge and parking fine recovery fee.

As shown on Table 4.3, the average daily rental rate for the Airport has remained relatively flat since FY 2000.

### 4.5.2 CFC Level

Table 4.5 reflects rental car customer facility charges at various U.S. airports. As shown, many of the Airports listed charge the CFC per transaction day, while other airports (like San Francisco and Oakland) charge on a per contract basis. Currently, Phoenix has the highest CFC in the nation at \$4.50 per day. The Airport has the highest CFC in the New England region at \$3.75 per day. San Francisco charges \$13.50 per rental car contract.

Even with the highest CFC in the New England region, weekend car rental rates at the Airport are lower than most New England airports and weekday car rental rates are competitive, as shown on Table 4.4. As also

**Table 4.4**  
Car Rental Rate Comparison - Selected New England/Northeast Airports

<b>2-Day Weekend Rental <sup>1</sup></b> <i>(ordered most expensive to least expensive)</i>							
	<b>Boston (BOS)</b>	<b>Hartford (BDL)</b>	<b>Burlington Airport (BTV)</b>	<b>Portland (PWM)</b>	<b>Albany (ALB)</b>	<b>T.F. Green Airport (PVD)</b>	<b>Manchester (MHT)</b>
Base Rental Rate	\$97.98	\$85.98	\$83.98	\$79.98	\$79.98	\$63.98	\$55.98
Facility Charges (2 days)	-	-	4.00	-	-	7.50	4.86
Tourism Surcharge	-	2.00	-	-	-	-	-
Convention Center Surcharge and Parking Fine Recovery	10.60	-	-	-	-	-	-
Taxes	19.94	18.31	15.15	16.80	10.40	16.86	12.53
<b>TOTAL RENTAL RATE</b>	<b>\$128.52</b>	<b>\$106.29</b>	<b>\$103.13</b>	<b>\$96.78</b>	<b>\$90.38</b>	<b>\$88.34</b>	<b>\$73.37</b>
<i>Base Rental Rate</i>	76%	81%	81%	83%	88%	72%	76%
<i>Facility Charge</i>	0%	0%	4%	0%	0%	8%	7%
<i>Other Charges</i>	8%	2%	0%	0%	0%	0%	0%
<i>Taxes</i>	16%	17%	15%	17%	12%	19%	17%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>3-Day Weekday Rental <sup>2</sup></b> <i>(ordered most expensive to least expensive)</i>							
	<b>Boston (BOS)</b>	<b>Hartford (BDL)</b>	<b>T.F. Green Airport (PVD)</b>	<b>Burlington Airport (BTV)</b>	<b>Albany (ALB)</b>	<b>Manchester (MHT)</b>	<b>Portland (PWM)</b>
Base Rental Rate	\$242.97	\$245.97	\$200.97	\$203.97	\$212.97	\$179.97	\$167.97
Facility Charges (3 days)	-	-	11.25	6.00	-	7.29	-
Tourism Surcharge	-	3.00	-	-	-	-	-
Convention Center Surcharge and Parking Fine Recovery	10.60	-	-	-	-	-	-
Taxes	49.45	52.39	51.28	36.53	27.69	39.59	35.28
<b>TOTAL RENTAL RATE</b>	<b>\$303.02</b>	<b>\$301.36</b>	<b>\$283.50</b>	<b>\$246.50</b>	<b>\$240.66</b>	<b>\$226.85</b>	<b>\$203.25</b>
<i>Base Rental Rate</i>	80%	82%	76%	83%	88%	79%	83%
<i>Facility Charges</i>	0%	0%	4%	2%	0%	3%	0%
<i>Other Charges</i>	3%	1%	0%	0%	0%	0%	0%
<i>Taxes</i>	16%	17%	19%	15%	12%	17%	17%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<sup>1</sup> Standard car (Grand Am, Alero, or similar); pick-up Friday, April 21st, 5pm; drop off Sunday, April 23rd, 5pm.

<sup>2</sup> Standard car (Grand Am, Alero, or similar); pick-up Monday, April 17th, 10am; drop off Thursday, April 20th, 10am.

Source: Hertz website, March 14, 2006

**Table 4.5**  
Customer Facility Charges at Selected U.S. Airports

Airport	Airport code	Hub size	CFC
<b>CFC Charged Per Transaction Day</b>			
Phoenix	PHX	L	\$ 4.50
Dallas/Fort Worth	DFW	L	4.00
<b>Providence</b>	<b>PVD</b>	<b>M</b>	<b>3.75</b>
Baltimore	BWI	L	3.25
Houston	HOU	L	3.25
Washington National	DCA	L	2.50
Manchester	MHT	M	2.43
Albuquerque	ABQ	M	2.05
Burlington	BTV	S	2.00
Minneapolis	MSP	L	2.00
Austin	AUS	M	1.95
Denver	DEN	L	1.80
<b>CFC Charged Per Contract</b>			
San Francisco	SFO	L	\$ 13.50
Oakland	OAK	M	10.00
Louisville	SDF	S	5.00
San Jose	SJC	M	5.00
<b>Selected New England/Northeast Airports With No CFC</b>			
Albany	ALB		No CFC
Boston	BOS		No CFC
Hartford	BDL		No CFC
Portland	PWM		No CFC

Source: Hertz website, March 14, 2006.

shown on Table 4.4, rental car facility charges at the Airport, Burlington, and Manchester represent approximately 2 to 8 percent of the total rental charges reported for those airports.

RIAC implemented the \$3.75 CFC in July 2001. Based on monthly rental car gross sales data for June, July, and August 2001, it does not appear that the implementation of the \$3.75 CFC at the Airport had a negative effect on rental car demand at the Airport. Gross rental car sales actually grew 17.0 percent from June 2001 to July 2001 (immediately following the implementation of the CFC). Gross sales grew 3.5% from July 2001 to August 2001. It is difficult to measure the impact of the CFC on a FY 2001 vs. FY 2002 basis as enplaned passengers decreased significantly following the events of September 11.

RIAC currently expects to increase the CFC at the Airport to 1) \$4.00 in January 2007, 2) \$4.25 in January 2008, 3) and \$4.50 in January 2009—with completion of the Intermodal Facility expected in October 2009. RIAC expects the CFC level would remain at \$4.50 through at least FY 2014. Based on the historical response to the CFC charged at the Airport, RIAC does not expect these planned CFC level increases to have a material impact on rental car demand at the Airport.

#### **4.5.3 Potential Impact of the Intermodal Facility**

When the Intermodal Facility opens, all rental car companies serving Airport customers will be required to do so from the Intermodal Facility. RIAC expects that all of the rental car companies currently serving Airport customers will operate from the Intermodal Facility once it opens.

Currently, rental car customers at the Airport either walk to the parking garage adjacent to the Airport Terminal Building (for Avis, Budget, and Hertz customers) or ride a shuttle bus to pick up their rental cars. When the Intermodal Facility opens, rental car customers will be required to travel from the Airport Terminal Building to the Intermodal Facility (and back) via the skywalk system—as described in more detail in Chapter 1. RIAC estimates that this trip will take approximately 4 minutes. Based on the time it currently takes rental car customers to walk to the parking garage, it is not expected that travel time to the Intermodal Facility will be materially longer. For rental car customers that currently have to ride a shuttle bus to pick up their rental cars, the travel time to the Intermodal Facility is expected to be less than current shuttle bus travel time.

As described in Section 1.1.2, the Intermodal Facility will include a train station that will serve weekday commuter rail traffic provided by the Massachusetts Bay Transportation Authority (MBTA) going north to Providence and Boston (and going south to Wickford Junction when that station opens). RIDOT currently expects the Wickford Junction station to open at about the same time the Intermodal Facility opens. Edwards & Kelcey, consultants to RIDOT, estimate that about 80 percent of riders boarding the northbound train at the Intermodal Facility are expected to get off in Boston.

While it is certainly possible that some deplaning Airport passengers traveling to downtown Providence or Boston may opt to proceed to the Intermodal Facility to ride the proposed commuter train, preliminary schedule information from RIDOT (which is subject to change) indicates that the proposed commuter train will make only eight trips each weekday (no weekend service) to downtown Providence—including four trips in the morning (between 6am and 8am), one trip in the early afternoon, and three trips in the evening (between approximately 6:30pm and 10:00pm). As shown on **Table 4.6**, the potential wait time for an Airport passenger using the proposed commuter train service is significant and at certain times of the day unreasonable (up to nearly 6 hours). It is clear from preliminary RIDOT schedule information that the proposed commuter train service is intended for commuters, and not necessarily for deplaning Airport passengers.

The Intermodal Facility is being designed to allow for future operations by Amtrak. In addition, extension of commuter service is currently being considered for possible future stations as far south as Westerly, Rhode Island, and eventually linking service with the Connecticut DOT's Shore Line East commuter service (which now connects New London with New Haven). There are also proposals for opening stations in Pawtucket, Cranston and East Greenwich. RIAC expects that any such expansion of future rail service (primarily intended for commuters) would not have a significant impact on rental car activity at the Airport.

**Table 4.6**  
Comparison of Alternative Transportation Modes - Airport Terminal Building to Downtown Providence

Weekday	Roundtrip cost	Approximate One-Way Travel Time (in minutes) <sup>1</sup>				Maximum potential one-way travel time	Weekday Frequency	Number of Stops
		Airport to Intermodal Facility (using Skywalk) <sup>2</sup>	Wait and/or transaction time	Travel time	TOTAL			
Rental car	\$ 89.07 <sup>3</sup>	4	5-15 <sup>2</sup>	13-33 <sup>4</sup>	22-52	52 minutes	On demand	--
Taxi	\$ 56.00 <sup>5</sup>	n/a	1-5 <sup>2</sup>	13-33 <sup>4</sup>	14-38	38 minutes	On demand	--
Train	\$ 7.00 <sup>6</sup>	4	1-35 <sup>6</sup>	12 <sup>6</sup>	17-372	6 hours 12 min	8/day	--
Bus (RIPTA)	\$ 3.00 <sup>7</sup>	4	1-86 <sup>7</sup>	19-45 <sup>7</sup>	24-135	2 hour 15 min	21/day	1

Weekend	Roundtrip cost	Approximate One-Way Travel Time (in minutes) <sup>1</sup>				Maximum potential one-way travel time	Weekend Frequency	Number of Stops
		Airport to Intermodal Facility (using Skywalk) <sup>2</sup>	Wait and/or transaction time	Travel time	TOTAL			
Taxi	\$ 56.00 <sup>5</sup>	n/a	1-5 <sup>2</sup>	13-33 <sup>4</sup>	14-38	38 minutes	On demand	--
Rental car	\$ 44.16 <sup>3</sup>	4	5-15 <sup>2</sup>	13-33 <sup>4</sup>	22-52	52 minutes	On demand	--
Bus (RIPTA)	\$ 3.00 <sup>7</sup>	4	1-90 <sup>7</sup>	21-41 <sup>7</sup>	26-135	2 hour 15 min	8/day (No service on Sunday)	1 (No service on Sunday)
Train	No weekend service	No Weekend service	No Weekend service	No Weekend service	No Weekend service	No Weekend service	No Weekend service	No Weekend service

<sup>1</sup> Estimated travel from the Airport to downtown Providence (City Hall).

<sup>2</sup> Estimate provided by the Rhode Island Airport Corporation.

<sup>3</sup> Assumes standard size car; one day rental--pick-up 8am and drop-off 6pm same day; Source: Hertz website March 14, 2006.

<sup>4</sup> Minimum time is based on estimated travel time by Mapquest for the Airport to Providence City Hall (25 Dorrance Street) and maximum time is based on Mapquest estimate plus 20 minutes to allow for variable traffic conditions.

<sup>5</sup> Source: Airport Taxi and Limousine Service, March 14, 2006--by phone.

<sup>6</sup> Based on preliminary RIDOT fare and schedule information for the proposed train service--subject to change.

<sup>7</sup> Source: Rhode Island Public Transit Authority (RIPTA) website, March 14, 2006. The Airport to Kennedy Plaza. Maximum time shown is based on RIPTA schedule plus 20 minutes to allow for variable traffic conditions.

Note: Train and bus travel requires continuous handling of luggage.

Table 4.6 reflects alternative transportation mode information (including roundtrip costs and approximate one-way travel time) for deplaning Airport passengers traveling to downtown Providence. As expected, costs for renting a car or taking a taxi are significantly higher than taking the commuter train or a RIPTA bus, although the range of one-way travel times (including the walk to the Intermodal Facility, wait and/or transaction time, and actual travel time) for the bus and the train are significantly higher than renting a car or taking a taxi. Bus service is not available on Sundays and the proposed commuter train service will be weekday only. RIAC does not expect that proposed commuter rail service to downtown Providence (or any other services provided from the Intermodal Facility) will have a material impact on rental car demand at the Airport.

#### **4.5.4 Off-Airport and Local Rental Car Markets**

Since February 2002, there have been no off-Airport rental car companies (companies that do not rent parking garage or terminal building space from RIAC) serving Airport customers. At this time, RIAC does not anticipate any future off-Airport rental car companies to begin serving Airport customers and, in any case, expects that any such future off-Airport service would not be significant. Once the Intermodal Facility is open, any future off-Airport rental car company serving Airport customers will be required to (1) pick up and drop off customers at the Intermodal Facility and (2) charge customers a CFC and remit collections to RIAC.

Two off-Airport rental car companies served Airport customers in calendar year 2001—K&J Auto for the entire year and Payless through June 2001 when it moved on-Airport. That year, the combined gross sales for these two off-Airport companies represented 0.6 percent of total rental car gross sales for the Airport.

There are approximately ten to fifteen off-Airport rental car companies in the Warwick and Providence area that do not serve Airport customers (but serve the local/insurance replacement market). The majority of these locations are between two and fifteen miles from the Airport.

Certain of the rental car companies currently providing Airport service also have off-Airport locations in the Warwick and Providence area that serve the local/insurance replacement market—with five such locations in Warwick and sixteen locations near Providence (including East Providence, Pawtucket, and Cranston). Pursuant to the terms and conditions of the Concession Agreement, companies are prohibited from diverting or transporting Airport rental car customers between off-Airport locations and either the Airport terminal or the Intermodal Facility.

#### **4.5.5 Airfare Relative to Boston Logan International Airport**

As airfare is one of the primary factors (or in many cases the only factor) a traveler will use for air travel decisions (i.e., what airport to fly in and out of—and potentially rent a car), the competitiveness of airfares at the Airport relative to fares at Boston Logan International Airport could have an impact on rental car activity at the Airport.

As an example, some cost-conscious travelers going to Boston may opt to fly to the Airport and rent a car to drive to Boston if the cost of their airfare and rental car were substantially lower than flying into Boston and renting a car (or using other ground transportation). As discussed above in Section 4.5.1, rental car rates reported for the Airport are lower than rates for Boston Logan.

According to U.S. DOT data, the average domestic one-way airfare at the Airport for FY 2005 was \$113—vs. \$137 for Boston's Logan International Airport. Average fares at Logan have declined from \$184 in FY 2001 with the addition of low fare service such as JetBlue, America West, and ATA Airlines. Average fares at the Airport have declined from \$137 in FY 2001.

#### **4.5.6 Other Factors Influencing Rental Car Demand**

Other factors that will influence rental car demand at the Airport include local/nationwide economic conditions and consumer income. The Air Trade Area's stable and diverse local economy, as described in

Chapter 2, will help support future growth in Airport passenger travel and the demand for rental cars. The strength of the U.S. economy will in large part dictate growth of air travel and rental car demand nationwide. As the U.S. economy expands, consumer income and the demand for goods and service (including rental cars) increases. Conversely, nationwide economic recession (as experienced in recent years) would generally decrease income and the demand for goods and services, including rental cars.

#### 4.6 Projection of Airport Rental Car Transaction Days

As discussed in Section 5.6.1 of this report, the number of rental car transaction days at the Airport is the basis for CFC collections. A CFC of \$3.75 per transaction day is currently charged to Airport rental car customers. Projected rental car transaction days are derived by multiplying the number of projected rental car transactions by the projected average rental car contract duration (in days).

Based on a review of historical rental car activity data, the number of rental car transaction days at the Airport is primarily a function of O&D passengers. Rental car transaction days at the Airport have moved in the same direction as O&D passengers in each fiscal year between FY 2000 and FY 2005, but not necessarily at the same growth rate in any given fiscal year. The average number of days per rental car transaction remained flat (between 3.83 and 3.85) from FY 2000 through FY 2002, the last period for which actual annual transactions is available. In the long-term, it is reasonable to expect that these relationships will remain relatively stable.

For purposes of this analysis, specific assumptions were made regarding rental car transactions per O&D passenger and average days per rental car transaction, as follows:

- **Rental Car Transactions.** Rental car transactions per O&D passenger will remain at 0.125 throughout the projection period—equal to the actual FY 2005 level. As shown on Table 4.3, transactions per O&D passenger for the first ten months of FY 2006 were 0.131 (up from 0.123 in the first ten months of FY 2005).
- **Average Days Per Transaction.** The average number of days per rental car transaction will remain at 3.83 throughout the projection period.

As shown at the bottom of Table 4.7, the above assumptions equate to a projection of 0.479 rental car transaction days per O&D passenger. As shown on Table 4.3, rental car transaction days per O&D passenger for the first ten months of FY 2006 were 0.504 (up from 0.472 in the first ten months of FY 2005).

Other assumptions used in developing the projection of rental car transaction days include the following:

- **Local/National Economy.** The economic base of the Air Trade Area will remain stable and diversified during the projection period, as described in Chapter 2 of this report.
- **Passenger Levels at the Airport.** Passenger projections described in Chapter 3 of this report will be realized.
- **Car Rental Rates.** Car rental rates at the Airport will continue to be competitive in relation to rates at other New England airports and any rate increases at the Airport (or differences compared to other airports) will not have a material effect on rental car demand or rental car transaction days at the Airport. Average daily car rental rates at the Airport have been relatively flat for the last six fiscal years (FY 2000-FY 2005).
- **CFC level.** The current CFC level (and planned increases) at the Airport will not have a material effect on rental car demand or rental car transactions days at the Airport.
- **Intermodal Facility.** The new rental car pick-up location at the Intermodal Facility will not have a material effect on rental car demand or rental car transaction days at the Airport.

**Table 4.7**  
Rental Car Transaction Day Projections  
(Fiscal Years Ending June 30)

		Actual					Projected								
		2002	2003	2004	2005		2006	2007	2008	2009	2010	2011	2012	2013	2014
Rental Car Transactions	[A]	351,626	336,100	318,900	339,900	[a] = [b] x [c]	333,371	336,349	345,385	353,820	362,143	370,227	377,598	385,095	392,228
Annual % Change		-10.1%	-4.4%	-5.1%	6.6%		-1.9%	0.9%	2.7%	2.4%	2.4%	2.2%	2.0%	2.0%	1.9%
Origin-Destination Enplaned Passengers	[B]	2,554,405	2,514,629	2,494,378	2,715,971	[b]	2,663,800	2,687,800	2,759,800	2,827,200	2,893,700	2,968,300	3,017,200	3,077,100	3,134,100
Annual % Change		-4.4%	-1.6%	-0.8%	8.9%		-1.9%	0.9%	2.7%	2.4%	2.4%	2.2%	2.0%	2.0%	1.9%
Rental Car Transactions Per Origin-Destination Enplaned Passenger	[A] / [B]	0.138	0.134	0.128	0.125	[c]	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Average Rental Car Transaction Days Per Transaction	[C] / [A]	3.83	3.83	3.83	3.83	[d]	3.83	3.83	3.83	3.83	3.83	3.83	3.83	3.83	3.83
Rental Car Transaction Days	[C]	1,346,836	1,287,314	1,221,295	1,301,626	[e] = [a] x [d]	1,276,600	1,288,000	1,322,600	1,354,900	1,386,800	1,417,800	1,448,000	1,474,700	1,502,000
Annual % Change		-10.1%	-4.4%	-5.1%	6.6%		-1.9%	0.9%	2.7%	2.4%	2.4%	2.2%	2.0%	2.0%	1.9%
Per Origin-Destination Enplaned Passenger	[C] / [B]	0.527	0.512	0.490	0.479	[e] / [b]	0.479	0.479	0.479	0.479	0.479	0.479	0.479	0.479	0.479

\* Assumed to be 95% of enplaned passengers. Based on historical data.

Prepared by: Ricordo & Associates, Inc.

- **Alternative Transportation Modes.** Existing and future alternative modes of transportation, including proposed commuter rail service from the Intermodal Facility, will not have a material effect on rental car demand or rental car transaction days at the Airport.
- **Off-Airport Rental Car Activity.** Off-Airport rental car activity will not have an effect on rental car demand or rental car transaction days at the Airport.
- **Airfares at the Airport.** Airfares at the Airport will continue to be competitive with Boston Logan International Airport (and other New England airports) and fare differences will not have a material effect on travel demand at the Airport—or rental car demand at the Airport.

Based on the methodology and assumptions described above, the projection of rental car transaction days is presented in Table 4.7. Rental car transaction days at the Airport are expected to grow from approximately 1.3 million in FY 2006 to approximately 1.5 million in FY 2014, with a compounded annual growth rate of 2.1 percent.

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## Financial Analysis

This section presents the requirements under the Indenture; funding sources and financial plan associated with the Intermodal Facility; a summary of the terms and conditions of the agreement between RIAC and the rental car companies utilizing the Intermodal Facility; projected operating and maintenance costs of the Intermodal Facility; projected revenues associated with the Intermodal Facility; and projected debt service coverage.

### 5.1 Requirements under the Indenture

The Series 2006 First Lien Bonds (Series 2006 Bonds) and the Series 2006 Second Lien Bonds (TIFIA Bond) are to be issued pursuant to the Indenture of Trust (the "Indenture") adopted by the EDC and RIAC on June 1, 2006), which authorizes and provides for the issuance of such bonds. The Indenture contains certain obligations concerning, among others, covenants with regard to CFCs, requirements for issuing additional bonds, and covenants with regard to the TIFIA Loan Agreement between the EDC, RIAC, RIDOT, and the U.S. DOT. The Indenture provides for the creation of certain funds and priorities for the use of CFCs and other Intermodal Facility revenues.

Pursuant to the Indenture, the Series 2006 Bonds and the TIFIA Bond are to be paid from and secured by Net Facility Revenues (as described in Section 5.6 of this report) and certain other Pledged Funds.

Pledged funds will be held by the Trustee and RIAC separate and apart from all other funds of RIAC and the EDC.

The Series 2006 Bonds and the TIFIA Bond will not be payable from or secured by a lien on or pledge of any revenues generally available to the EDC or RIAC other than Net Facility Revenues and amounts in Pledged Funds as specifically described in the Indenture. For example, airline fees and charges, Airport terminal building concession revenues, rental car privilege fees, and any other Airport revenues will not secure the Series 2006 Bonds or the TIFIA Bond (or any subsequent obligations issued under the Indenture).

#### 5.1.1 Covenant with Regard to Collection of CFCs

Section 501 of the Indenture states that: a) RIAC shall cause the CFCs to be calculated, established, and imposed so long as any Obligations remain Outstanding, and RIAC shall use diligence to collect the Facility Revenues and to cause the CFCs to be collected by the Intermodal Rental Car Companies and the Off-Airport Rental Car Operators in accordance with applicable law and the terms of the Concession Agreement; and b) RIAC covenants and agrees that it will take all lawful and available measures to adjust the CFCs in any year pursuant to applicable law and as permitted by the Concession Agreement if determined to be necessary in RIAC's sole discretion.

#### 5.1.2 Rate Covenant

Section 717 of the Indenture states that:

RIAC hereby covenants that it will establish and revise rules and regulations so that Net Facility Revenues 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) 1.25 times the Annual Debt Service payable on all Outstanding First Lien Obligations,
- (b) 1.1 times the Annual Debt Service payable on all Outstanding First Lien Obligations and Outstanding Second Lien Obligations; or
- (c) all deposits required to be made by Sections 504 through 513.

### 5.1.3 Additional First Lien Obligations

Under Section 702 (a)(i) of the Indenture, the EDC covenants that it will not issue additional First Lien Obligations for purposes other than refunding, repurchasing, or refinancing Outstanding Indebtedness unless it delivers to the Trustee:

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 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, 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) 1.1 times the Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional First Lien Obligations);

or

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 last 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).

### 5.1.4 Additional Second Lien Obligations

Under Section 703 (a)(i)(A) of the Indenture, the EDC covenants that it will not issue additional Second Lien Obligations for purposes other than refunding, repurchasing, or refinancing Outstanding Indebtedness unless it delivers to the Trustee:

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 at the beginning 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 and Second Lien Obligations (including such Additional Second Lien Obligations);

or

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 1.1 times the maximum Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional Second Lien Obligations).

### 5.1.5 Flow of Funds

Section 503 of the Indenture creates certain funds to be held and administered by the Trustee and certain funds to be held and administered by RIAC. Exhibit 5.1 depicts and describes the flow of funds under Section 504 of the Indenture. CFCs collected during construction of the Intermodal Facility will be used to fund certain reserve funds including the Operating and Maintenance Reserve Fund, the Second Lien (TIFIA Bond) Debt Service Reserve Fund, and the Emergency Renewal and Replacement Reserve Fund.

<b>FACILITY REVENUES</b>		<b>HELD BY</b>
<b>PRIORITY</b>	↓	
	<b>Revenue Fund</b>	RIAC
1	<b>Operating and Maintenance Fund</b>	RIAC
2	<b>First Lien Debt Service Fund</b>	TRUSTEE
3	<b>First Lien Debt Service Reserve Fund</b>	TRUSTEE
4	<b>Second Lien Debt Service Fund<sup>1</sup></b>	TRUSTEE
5	<b>Second Lien Debt Service Reserve Fund<sup>1</sup></b>	TRUSTEE
6	<b>Subordinate Lien Debt Service Fund<sup>2</sup></b>	TRUSTEE
7	<b>Subordinate Lien Debt Service Reserve Fund<sup>2</sup></b>	TRUSTEE
8	<b>Rebate Fund</b>	TRUSTEE
9	<p style="text-align: center;"><b>Operating and Maintenance Reserve Fund</b></p> <ul style="list-style-type: none"> <li>• Minimum fund balance equal to 6 months of budgeted O&amp;M</li> <li>• Initially funded with CFC collections prior to facility completion.</li> <li>• Any amounts used are to be replenished in 12 monthly deposits</li> </ul>	RIAC
10	<p style="text-align: center;"><b>Emergency Renewal and Replacement Reserve Fund</b></p> <ul style="list-style-type: none"> <li>• \$2 Million fund balance requirement</li> <li>• Initially funded with CFC collections prior to facility completion</li> <li>• Any amounts used are to be replenished with 12 monthly deposits</li> </ul>	RIAC
11	<p style="text-align: center;"><b>Renewal and Replacement Fund</b></p> <ul style="list-style-type: none"> <li>• May be funded up to \$10 Million maximum fund balance</li> <li>• Amounts to be used for renewal/replacement and other allowable costs</li> </ul>	RIAC
12	<p style="text-align: center;"><b>Intermodal General Purpose Fund</b></p> <ul style="list-style-type: none"> <li>• Deposit of all remaining Facility Revenues.</li> <li>• Amounts may be used by RIAC for any purpose related to the Intermodal Facility and to restore deficiencies in funds or accounts created under the indenture</li> <li>• 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"> <li>• Purchase or redeem outstanding debt obligations</li> <li>• Pay O&amp;M expenses</li> <li>• Fund Intermodal Facility projects</li> <li>• Any other lawful purpose</li> </ul> </li> </ul>	RIAC

<sup>1</sup> Includes 12 months of the first 12 months of the term. <sup>2</sup> Includes 12 months of the first 12 months of the term.

### Flow of Funds Under the Indenture of Trust

## 5.2 Sources of Funding

Estimated sources of funding for the Intermodal Facility are provided in **Table 5.1**. As shown, the total estimated cost of the Intermodal Facility is approximately \$222.5 million with funding from the following sources:

- **Series 2006 Bond Proceeds.** Approximately \$39.6 million of Series 2006 Bond proceeds.
- **TIFIA Bond Proceeds.** Approximately \$42.0 million in loan proceeds made available under the TIFIA program.
- **FHWA Grants.** Approximately \$88.9 million in Federal Highway Administration (FHWA) grants.
- **State Grants.** Approximately \$22.2 million in State of Rhode Island grants.
- **Pay-Go CFCs (During Construction).** Approximately \$29.7 million in CFCs will be used on a pay-go basis during the construction period for project costs. RIAC has been collecting CFCs from the rental car companies serving the Airport since July 2001.

Pursuant to the Concession Agreement (described in Section 5.4), in the event the Intermodal Rental Car Companies request changes that result in increased project costs after the issuance of the Series 2006 Bonds (either prior to or after construction of the Intermodal Facility begins), the Intermodal Rental Car Companies will be responsible for the payment of such increased costs. Subject to annual appropriation by the Rhode Island General Assembly, RIDOT will generally be responsible for any other costs above the Intermodal Facility project budget. No modifications of any kind (rental car, rail, etc.) will be implemented if RIAC determines that such modifications will adversely affect the functionality or operation of the Intermodal Facility.

## 5.3 Financing Plan

**Table 5.2** below presents the overall sources and uses of Bond funds for the Intermodal Facility:

The following assumptions are included in the financing plan:

- Approximately \$52.6 million of Series 2006 Bonds (tax-exempt) will be issued to fund a portion of the costs for the Intermodal Facility. The Series 2006 Bonds are First Lien Obligations as defined in the Indenture.
- The Series 2006 Bonds are issued for a term of 30-years, with an average coupon rate of 5.0 percent.
- Interest on the Series 2006 Bonds is capitalized through completion of the project.
- A Series 2006 Bonds debt service reserve fund equal to maximum annual debt service is funded from Series 2006 Bond proceeds.
- Issuance costs and the bond insurance premium are funded with Series 2006 Bond proceeds.
- Reinvestment rates are 4.5 percent on the Debt Service Reserve Fund and 2.0 percent on both the Construction Fund and the Capitalized Interest Fund.
- Approximately \$42.0 million of TIFIA Bond proceeds will fund a portion of the Intermodal Facility. The TIFIA Bond is assumed to be paid back at a 5.42 percent interest rate with a final maturity of 2042. TIFIA Bond payments are Second Lien Obligations as defined in the Indenture.

## 5.4 Rental Car Concession Agreement

As of the date of this report, RIAC has entered in to the Concession Agreement with nine rental car companies that will serve the Airport from the Intermodal Facility including Alamo, Avis, Budget, Dollar, Enterprise, National, Payless, Thrifty, and U-Save. Hertz has confirmed in writing to RIAC its intent to execute the

**Table 5.1**  
Intermodal Facility Costs and Funding Sources

Intermodal Facility	Total Cost	Series 2006	TIFIA Bond	FHWA Grants	State Grants	CFCs During Construction
		First Lien Bond Proceeds (Tax-Exempt)	(Second Lien)			
Parking Garage						
Ready/Return Facilities	\$46,946,000			\$46,355,000	\$591,000	
Commuter Parking	28,137,000			25,132,000	3,005,000	
Rental Car Customer and Service Facilities	40,200,000		12,503,000	2,025,000	14,782,000	10,890,000
Train Platform and Related Items	22,942,000		5,752,000	1,155,000	290,000	15,745,000
Land Acquisition and Site Development	14,601,000			11,351,000	2,838,000	412,000
Skywalk	43,523,000	29,037,000	11,745,000	2,193,000	548,000	
Terminal Bridge	14,107,000	10,577,000		711,000	177,000	2,642,000
Tenant Improvements	12,000,000		12,000,000			
<b>TOTAL</b>	<b>\$222,456,000</b>	<b>\$39,614,000</b>	<b>\$42,000,000</b>	<b>\$88,922,000</b>	<b>\$22,231,000</b>	<b>\$29,689,000</b>

Sources: Rhode Island Airport Corporation (costs)  
Fullerton & Friar, Inc. (funding sources)  
Prepared by: Rioondo & Associates, Inc.

**Table 5.2****Projected Overall Sources and Uses of Bond Proceeds and TIFIA Bond Proceeds**

	First Lien Tax-Exempt Bonds	Second Lien TIFIA Bond	Total
<u>Sources</u>			
Principal	\$52,555,000	\$42,000,000	\$94,555,000
Interest Earnings	2,163,000	-	2,163,000
<b>TOTAL SOURCES</b>	<b>\$54,718,000</b>	<b>\$42,000,000</b>	<b>\$96,718,000</b>
<u>Uses</u>			
Project Costs Paid With Bond Proceeds	\$39,614,000	\$42,000,000	\$81,614,000
Capitalized Interest	8,562,000	-	8,562,000
Debt Service Reserve Deposit	4,394,000	-	4,394,000
Issuance Costs (Including Bond Insurance)	2,148,000	-	2,148,000
<b>TOTAL USES</b>	<b>\$54,718,000</b>	<b>\$42,000,000</b>	<b>\$96,718,000</b>

Source: Fullerton &amp; Friar, Inc.

Concession Agreement upon completion of internal reviews. Except as provided in the new Concession Agreement, the terms and conditions of the Current Concession Agreement will remain in effect until the date of operational occupancy (DOO). The new Concession Agreement has a term of 20 years from the DOO--provided, however, that, at RIAC's option (exercisable by written notice to the Intermodal Rental Car Company at any time on or after the seventeenth anniversary of the DOO) the term of the Concession Agreement will continue up to a maximum term of thirty (30) years from the DOO in the event that RIAC determines that such longer term is necessary or desirable in order to avoid the prepayment of the Series 2006 Bonds or the TIFIA Loan. The Concession Agreement sets forth the obligations of RIAC and the Intermodal Rental Car Companies and includes the methodology for assigning and allocating space among the users as well as payment provisions relating to use and occupancy of the facility.

As discussed earlier, rental car facilities contained within the Intermodal Facility consist of approximately 2,200 spaces configured at 325 square feet per space; a QTA consisting of nine wash bays, a fuel system which includes fuel storage and 36 fueling stations, stacking spaces, break rooms, equipment/staff support areas and storage rooms; a centralized customer service center, and office space area of approximately 17,500 square feet; and various vertical circulation areas consisting of elevator and/or escalator banks. The skywalk system connecting the Intermodal Facility and the Airport terminal will be used by all customers of the Intermodal Rental Car Companies, as well as all customers of any Off-Airport Rental Car Companies.

Each Intermodal Rental Car Company is allocated exclusive space in the Intermodal Facility based on its market share of Gross Receipts. Exclusive space includes ready/return spaces, counter and office space, and QTA areas. Within the QTA area, each Intermodal Rental Car Company is assigned a minimum of one wash bay, two fueling stations, and 12 stacking spaces. Market share is calculated on an annual basis and a reallocation of ready/return and vehicle staging space is made. Every five years, RIAC recalculates and adjusts space allocations for customer counters and support areas. If a rental car company has surpassed another company's market share, it can exchange locations with the other company if it desires.

Under the terms of the Concession Agreement, the Intermodal Rental Car Companies must pay a privilege fee, CFCs, and RAC Rental Fees (described in detail in Section 5.6.2 of this report). The privilege fee is equal to ten percent of each company's Gross Receipts and is excluded from the definition of Facility Revenues and is not available for payment of Debt Service on the Series 2006 Bonds or the TIFIA Bond. CFCs and RAC Rental Fees are components of Facility Revenues, and are discussed in more detail below in Section 5.6.

The Intermodal Rental Car Companies have also entered into a Participation Agreement, pursuant to which the Intermodal Rental Car Companies will design and construct the fueling system and be responsible for the operation and maintenance costs of the rental car exclusive space, the fuel system, and the QTA area.

The rental car companies currently operating at the Airport pay RIAC a privilege fee equal to ten percent of gross sales; rental payments for space leased in the parking garage adjacent to the Airport terminal and for counter space in the terminal; and rental payments for any maintenance site space on Airport property. These payments are currently defined as Airport Revenues under RIAC's general airport revenue bond indenture. When the Intermodal Facility opens, the privilege fees and the maintenance site fees paid to RIAC will remain as Airport Revenues under the general airport revenue bond indenture (and will not secure the Series 2006 Bonds, the TIFIA Bond, or future debt related to the Intermodal Facility).

In the event a rental car company ceases operations at the Intermodal Facility, pursuant to Section 14.5 of the Concession Agreement, the Pro Rata Shares of the remaining rental car companies will be adjusted accordingly—i.e., RAC Rental Fees paid to RIAC will not decrease. If the rental car company ceasing operations at the Intermodal Facility moves to an off-Airport location it will still be required to collect a CFC for customers using the Airport.

## 5.5 Operating and Maintenance Costs

RIAC will be responsible for the operation and maintenance of the Intermodal Facility--with the exception of rental car exclusive space, common rental car QTA space, and the fueling system. Companies leasing space at the Intermodal Facility may contract with RIAC to assume responsibility for the maintenance of certain space.

Pursuant to the Concession Agreement (Section 9.1), Operating and Maintenance Costs will be paid from Facility Revenues prior to the payment of Debt Service and other requirements under the Indenture. As defined in the Indenture, Operating and Maintenance Costs include all expenses incurred by RIAC for the operation, maintenance, administration, and ordinary current repairs of the Intermodal Facility. Operation and Maintenance Costs do not include amortization or depreciation of the Intermodal Facility or any other expense for which RIAC is or will be paid or reimbursed from sources not included as Facility Revenues or any expenses paid from the Emergency Renewal and Replacement Reserve Fund, the Renewal and Replacement Fund, or the Intermodal General Purpose Fund.

As stated in Section 9.1 of the Concession Agreement, in the event there is a Revenue Deficiency (where Operating and Maintenance Costs plus Debt Service and any other required fund deposits exceed Facility Revenues) in any fiscal year, then to the extent there are available funds, the Revenue Deficiency will be paid from funds in the Operating and Maintenance Reserve Fund. In the event there are not sufficient funds in the Operating and Maintenance Reserve Fund, the rental car companies will be required to pay for the balance of the Revenue Deficiency on a pro-rata basis pursuant to Section 14.5.2.1(ii) of the Concession Agreement.

**Table 5.3** presents projections of Operating and Maintenance Costs. Operating and Maintenance Costs projections were based on the amount and types of space to be maintained; estimated parking operator, utility, security, and insurance fees; and information regarding estimated expenses associated with the skywalk system. Total Operating and Maintenance Costs are estimated to increase from approximately \$2.6 million in FY 2011, the first full year of Operating and Maintenance Costs, to approximately \$2.9 million in FY 2014.<sup>1</sup> This increase represents a compounded annual growth rate of 3.1 percent.

## 5.6 Facility Revenues

Facility Revenues consist of the revenues collected by or on behalf of RIAC that are generated by the operation of the Intermodal Facility, including: (i) CFCs; (ii) fees paid by Rental Car Companies pursuant to Section 14.5 of the Concession Agreement (but excluding privilege fees and deficiency fees thereon paid by Rental Car Companies pursuant to the Concession Agreement); (iii) commuter parking revenues, (iv) payments by parties other than Rental Car Companies under concession or agreements relating to the Intermodal Facility; and (v) payments by parties other than Rental Car Companies for access to or use of the skywalk system included in the Intermodal Facility (but excluding privilege fees and deficiency fees thereon paid by such parties).

As defined in the Indenture, following the payment of Operating and Maintenance Costs, Facility Revenues are pledged to the payment of debt service obligations governed by the Indenture (including the Series 2006 Bonds and the TIFIA Bond).

A description of the components of Facility Revenues is provided below, and projections are shown in **Table 5.4**.

### 5.6.1 CFCs

RIAC requires all rental car companies, whether an Intermodal Rental Car Company or an Off-Site rental car operator, to collect a CFC for each rental car transaction day. RIAC has required the collection of a CFC in the amount of \$3.75 per transaction day since July 1, 2001—pursuant to Rhode Island General Laws § 1-2-1.1.

<sup>1</sup> FY 2010 represents nine months of Operating and Maintenance Costs.

**Table 5.3**  
**Operating and Maintenance Costs**  
**(Fiscal Years Ending June 30)**

	Projected				
	2010 <sup>1</sup>	2011	2012	2013	2014
Operating and Maintenance Costs					
Skywalk System <sup>2</sup>	\$675,000	\$927,000	\$955,000	\$984,000	\$1,014,000
Parking Operator O&M - 1,000 Public Parking Spaces <sup>3</sup>	263,000	361,000	372,000	383,000	394,000
Parking Operator O&M - All Other Areas <sup>4</sup>	585,000	803,000	827,000	852,000	878,000
Parking Operator Management Fee & Administration Fee	231,000	317,000	326,000	334,000	342,000
Property Insurance	150,000	210,000	221,000	232,000	244,000
<b>TOTAL OPERATING AND MAINTENANCE COSTS</b>	<b>\$1,904,000</b>	<b>\$2,618,000</b>	<b>\$2,701,000</b>	<b>\$2,785,000</b>	<b>\$2,872,000</b>

<sup>1</sup> FY 2010 represents nine months of Intermodal Facility operations.

<sup>2</sup> Edwards and Kelcey estimate.

<sup>3</sup> Assumed to be \$350 per stall per year.

<sup>4</sup> Includes utilities, janitorial, security, and maintenance contracts. Does not include expenses associated with maintenance of common QTA space, exclusive rental car space, and the fueling system--each maintained and paid for by the rental car companies directly.

Note: Operating and Maintenance Costs projections include 3.0 percent annual inflation.

Prepared by: Ricondo & Associates, Inc.

**Table 5.4**  
**Facility Revenues**  
**(Fiscal Years Ending June 30)**

	Projected				
	2010 <sup>1</sup>	2011	2012	2013	2014
CFC Collections Deposited To Revenue Fund	\$4,681,000	\$6,380,000	\$6,507,000	\$6,636,000	\$6,759,000
RAC Rental Fees <sup>2</sup>					
Space rental fees	\$675,000	\$927,000	\$955,000	\$984,000	\$1,014,000
Tenant Improvement Payments <sup>3</sup>	455,000	607,000	607,000	607,000	607,000
<b>TOTAL RAC RENTAL FEES</b>	<b>\$1,130,000</b>	<b>\$1,534,000</b>	<b>\$1,562,000</b>	<b>\$1,591,000</b>	<b>\$1,621,000</b>
Commuter Parking Revenues	546,000	750,000	772,000	845,000	871,000
<b>TOTAL FACILITY REVENUES</b>	<b>\$6,357,000</b>	<b>\$8,664,000</b>	<b>\$8,841,000</b>	<b>\$9,072,000</b>	<b>\$9,251,000</b>

<sup>1</sup> FY 2010 represents nine months of Intermodal Facility operations.

<sup>2</sup> Pursuant to the Rental Car Agreement, Section 14.5.2.1.

<sup>3</sup> Fullerton & Friar, Inc. estimate.

Prepared by: Ricondo & Associates, Inc.

From time to time during the term of the Concession Agreement, RIAC, in its sole discretion, may determine the amount of the CFC, provided it does not exceed the CFC Cap, defined in the Concession Agreement as:

- (i) Prior to the Date of Operational Opening (DOO) for the Intermodal Facility, \$4.50;
- (ii) During the five-year period following the DOO, \$5.50;
- (iii) On and after the fifth anniversary of the DOO, the sum of \$5.50 plus an amount equal to \$5.50 multiplied by the percentage increase, if any, in the Consumer Price Index for All Urban Consumers relating to Boston from the fifth anniversary of the DOO until the date of the CFC Cap calculation.
- (iv) In the event there is no commuter rail service between Warwick and Boston at or subsequent to DOO, the sum of the CFC Cap pursuant to (ii) or (iii) above plus \$0.50.

RIAC currently expects to increase the CFC to \$4.00 in January 2007; \$4.25 in January 2008; and \$4.50 in January 2009. RIAC expects the CFC level to remain at \$4.50 for the remainder of the projection period.

CFC collections are projected to equal the number of projected rental car transaction days multiplied by the CFC level, as shown on **Table 5.5**. As discussed in Section 4.6 of this report, rental car transaction days are projected to grow primarily as a function of deplaned passenger activity at the Airport. Specific assumptions used in projecting rental car transaction days are discussed in Section 4.6 of this report.

As shown on **Table 5.5**, rental car transaction days are projected to increase from approximately 1.3 million in FY 2006 to approximately 1.5 million in FY 2014. This increase represents a compounded annual growth rate of 2.1 percent.

As also shown in **Table 5.5**, CFC collections are projected to increase from approximately \$4.8 million in FY 2006 to approximately \$6.8 million in FY 2014. This increase represents a compounded annual growth rate of 4.4 percent--resulting from a projected compounded annual growth rate of 2.1 percent for O&D enplaned passengers and assumed CFC level increases.

**Table 5.5** also shows the use of CFC collections prior to DOO and CFC collections deposited to the Revenue Fund.

### **5.6.2 RAC Rental Fees**

RAC Rental Fees include the following:

- Certain debt service payments associated with the \$12.0 million Tenant Improvement Account Deposit—including 50 percent of the debt service on the first \$9.0 million of the Tenant Improvement Account deposit (primarily for the fueling system) and 100 percent of the debt service on remaining costs funded with deposits to the Tenant Improvement Account.
- An amount equal to \$900,000—for the first year after the date of operational opening for the Intermodal Facility. Each year thereafter this amount shall increase in an amount equal to the increase in the Consumer Price Index for all Urban Consumers relating to Boston.
- Any Revenue Deficiency for the Intermodal Facility—defined as the amount, if any, by which the aggregate of Operating and Maintenance Costs plus Debt Service and any other required fund deposits exceeds Facility Revenues in any fiscal year. At the end of each fiscal year, RIAC calculates the actual cost of operating and maintaining the Intermodal Facility. In the event that the actual Operating and Maintenance Costs plus Debt Service and any other required fund deposits exceed Facility Revenues, then to the extent there are available funds, the Revenue Deficiency will be paid from funds in the Operating and Maintenance Reserve Fund. In the event there are not sufficient

**Table 5.5**  
Customer Facility Charge Projections  
(Fiscal Years Ending June 30)

	Actual				Projected								
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CFC Transaction Days	1,346,836	1,287,314	1,221,295	1,301,626	1,276,600	1,288,000	1,322,600	1,354,900	1,386,800	1,417,800	1,446,000	1,474,700	1,502,000
Annual % Change		-4.4%	-5.1%	6.6%	-1.9%	0.9%	2.7%	2.4%	2.4%	2.2%	2.0%	2.0%	1.9%
CFC Level <sup>1</sup>	\$3.75	\$3.75	\$3.75	\$3.75	\$3.75	\$3.88	\$4.13	\$4.38	\$4.50	\$4.50	\$4.50	\$4.50	\$4.50
CFC Collections	\$4,959,790	\$4,827,427	\$4,579,856	\$4,881,098	\$4,787,000	\$4,991,000	\$5,456,000	\$5,928,000	\$6,241,000	\$6,380,000	\$6,507,000	\$6,636,000	\$6,759,000
Annual % Change		-2.7%	-5.1%	6.6%	-1.9%	4.3%	9.3%	8.7%	5.3%	2.2%	2.0%	2.0%	1.9%
Use of CFC Collections Prior to DOO													
Construction Fund					(\$4,387,000)	(\$4,991,000)	(\$1,063,000)	\$0	\$0	\$0	\$0	\$0	\$0
Emergency Renewal and Replacement Reserve Fund deposit					-	-	-	(2,000,000)	-	-	-	-	-
O&M Reserve Fund deposit					-	-	-	(1,270,000)	-	-	-	-	-
Second Lien (TIFIA Bond) Debt Service Reserve Fund					-	-	(3,426,000)	-	-	-	-	-	-
TIFIA Costs of Issuance					(400,000)	-	-	-	-	-	-	-	-
Deposit to Renewal and Replacement Fund Prior to DOO					-	-	(967,000)	(2,658,000)	(1,560,000)	-	-	-	-
					(\$4,787,000)	(\$4,991,000)	(\$5,456,000)	(\$5,928,000)	(\$1,560,000)	\$0	\$0	\$0	\$0
CFC Collections Deposited to Revenue Fund					\$0	\$0	\$0	\$0	\$4,681,000	\$6,380,000	\$6,507,000	\$6,636,000	\$6,759,000

<sup>1</sup> Rhode Island Airport Corporation estimate.

Prepared by: Ricordo & Associates, Inc.

funds in the Operating and Maintenance Reserve Fund, the Intermodal Rental Car Companies shall pay such deficiency pursuant to Section 14.5.2.1(ii) of the Concession Agreement.

- Any Operating and Maintenance Costs associated with exclusive space that is rented by the Intermodal Rental Car Companies but is maintained by RIAC pursuant to specific contracts with the Intermodal Rental Car Companies.
- Any unforeseeable and/or extraordinary expenses in accordance with the provisions of Section 14.5.4 of the Concession Agreement.
- An amount equal to the aggregate revenues from the commuter parking spaces for the 12-month period immediately preceding the acquisition of the commuter parking spaces, should the Intermodal Rental Car Companies exercise such option.

As reflected on Table 5.4, RAC Rental Fees are projected to increase from approximately \$1.5 million in FY 2011, the first full year of RAC Rental Fees, to approximately \$1.6 million in FY 2014. This increase represents a compounded annual growth rate of 1.9 percent.

### 5.6.3 Commuter Parking Revenues

Commuter parking revenue projections are based on the following assumptions:

- 1,000 commuter automobile parking spaces
- Initial parking rate of \$4.00 per day escalated as described below
- 70% occupancy rate (i.e., 700 transactions per weekday)

Pursuant to an agreement between RIDOT and RIAC, at a minimum, the parking rate shall be increased July 1<sup>st</sup> after the third year of operation and no later than every three years thereafter—subject to RIDOT approval. At a minimum, the parking rate increases shall be equal to the corresponding increase in the CPI since the last adjustment date, rounded to the nearest \$0.25.

Subject to RIDOT approval, the commuter parking spaces may be used by the rental car companies or other entities on weekends. Revenues associated with such weekend use of the spaces would be included as Facility Revenues. For purposes of this analysis, no such revenues have been assumed.

RIAC does not expect that commuter parking at the Intermodal Facility will impact parking activity at the Airport. As described in more detail in Chapter 1 of this report, the commuter parking area will not have direct access to the rental car customer service area or the skywalk system.

As reflected in Table 5.4, commuter parking revenues are projected to increase from approximately \$750,000 in FY 2011, the first full year of commuter parking revenues, to approximately \$871,000 in FY 2014. This increase represents a compounded annual growth rate of 5.1 percent.

### 5.6.4 Potential Other Facility Revenues

As defined in the Indenture, Facility Revenues also include the following items which, for purposes of this report, have not been assumed and are not incorporated in financial projections:

- Any fees from third parties for the operation of concessions at the Intermodal Facility (e.g., food & beverage and news & gift)
- Any other space rental fees
- Any skywalk system use fees (in the event such fees are implemented in connection with additional access areas to the skywalk system constructed between the Intermodal Facility and the Airport).

### 5.6.5 Revenue Surplus

Pursuant to the Concession Agreement, Revenue Surplus is defined as the amount, if any, by which Facility Revenues exceed Operating and Maintenance Costs plus Debt Service and any required fund deposits in any fiscal year.

**Table 5.6** presents projections of cash flow. The Revenue Surplus is estimated to range from approximately \$285,000 to \$609,000.

As stated in Section 9.1 of the Concession Agreement, in the event there is a Revenue Deficiency in any fiscal year (Operating and Maintenance Costs plus Debt Service and any other required fund deposits exceeds Facility Revenues), then to the extent there are available funds, the Revenue Deficiency will be paid from funds in the Operating and Maintenance Reserve Fund. In the event there are not sufficient funds in the Operating and Maintenance Reserve Fund, the rental car companies will be required to pay for the balance of the Revenue Deficiency on a pro-rata basis pursuant to Section 14.5.2.1(ii) of the Concession Agreement.

### 5.7 Investment Income

Investment income on pledged funds is pledged to the payment of debt service and is reflected on **Table 5.7**. Investment income projections are based on estimated fund balances in the Debt Service Reserve Fund and the Second Lien (TIFIA Bond) Debt Service Reserve Fund at an assumed interest rate of 4.5 percent.

As reflected on **Table 5.7**, investment income is assumed to increase from \$304,000 in FY 2010 to \$354,000 in FY 2011 and remain constant thereafter.

### 5.8 Debt Service Coverage

**Table 5.7** also presents projected Debt Service Coverage Ratios. As shown, debt service coverage on First Lien Obligations is projected to range from a low of 1.99x in FY 2011 and FY 2012 to a high of 2.41x in FY 2010. Debt service coverage on First and Second Lien Obligations combined is projected to range from a low of 1.12x in FY 2011 to a high of 1.24x in FY 2010.

Pursuant to the Concession Agreement and as described above in Section 5.6.2, the Intermodal Rental Car Companies are responsible for any Revenue Deficiency for the Intermodal Facility—defined as the amount, if any, by which the aggregate of Operating and Maintenance Costs plus Debt Service (including First and Second Lien Obligations) and any other required fund deposits exceeds Facility Revenues in any fiscal year. This ensures debt service coverage on First and Second Lien Obligations combined will be at least 1.10x.

In addition, RIAC has the ability to increase the CFC level (subject to a cap per the Concession Agreement, as discussed in Section 5.6.1 above) should estimated debt service coverage ratios fall below required minimum levels.

Table 5.6

## Cash Flow

(Fiscal Years Ending June 30)

		Projected				
		2010 <sup>1</sup>	2011	2012	2013	2014
TOTAL FACILITY REVENUES	[A]	\$6,357,000	\$8,664,000	\$8,841,000	\$9,072,000	\$9,251,000
Operating and Maintenance Costs						
Skywalk System <sup>2</sup>		\$675,000	\$927,000	\$955,000	\$984,000	\$1,014,000
Parking Operator O&M - 1,000 Public Parking Spaces <sup>3</sup>		263,000	361,000	372,000	383,000	394,000
Parking Operator O&M - All Other Areas <sup>4</sup>		585,000	803,000	827,000	852,000	878,000
Parking Operator Management Fee & Administration Fee		231,000	317,000	326,000	334,000	342,000
Property Insurance		150,000	210,000	221,000	232,000	244,000
TOTAL OPERATING AND MAINTENANCE COSTS	[B]	\$1,904,000	\$2,618,000	\$2,701,000	\$2,785,000	\$2,872,000
Annual Debt Service <sup>5</sup>						
Series 2006 Bonds -- First Lien		\$1,971,000	\$3,223,000	\$3,263,000	\$3,305,000	\$3,343,000
TIFIA Bond -- Second Lien		1,873,000	2,498,000	2,498,000	2,498,000	2,498,000
TOTAL DEBT SERVICE	[C]	\$3,844,000	\$5,721,000	\$5,761,000	\$5,803,000	\$5,841,000
Operating and Maintenance Reserve Fund Deposit	[D]	-	40,000	42,000	42,000	44,000
Operating and Maintenance Costs, Debt Service and Operating and Maintenance Reserve Deposit	[E] = [B]+[C]+[D]	\$5,748,000	\$8,379,000	\$8,504,000	\$8,630,000	\$8,757,000
Revenue Surplus/(Deficiency)	[A] - [E]	\$609,000	\$285,000	\$337,000	\$442,000	\$494,000

<sup>1</sup> FY 2010 represents nine months of Intermodal Facility operations.<sup>2</sup> Rhode Island Airport Corporation estimate.<sup>3</sup> Assumed to be \$350 per stall per year.<sup>4</sup> Includes utilities, janitorial, security, insurance, & maintenance contracts.<sup>5</sup> Fullerton & Friar, Inc. estimate.

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**Table 5.7**  
**Debt Service Coverage**  
**(Fiscal Years Ending June 30)**

		Projected				
		2010 <sup>1</sup>	2011	2012	2013	2014
Facility Revenues	[A]	\$6,357,000	\$8,664,000	\$8,841,000	\$9,072,000	\$9,251,000
Less: Operating and Maintenance Costs	[B]	(1,904,000)	(2,618,000)	(2,701,000)	(2,785,000)	(2,872,000)
Net Facility Revenues	[C] = [A] - [B]	\$4,453,000	\$6,046,000	\$6,140,000	\$6,287,000	\$6,379,000
Plus: Investment Income	[D]	304,000	354,000	354,000	354,000	354,000
Pledged Revenues	[E] = [C] + [D]	\$4,757,000	\$6,400,000	\$6,494,000	\$6,641,000	\$6,733,000
Debt Service						
Series 2006 Bonds -- First Lien	[F]	\$1,971,000	\$3,223,000	\$3,263,000	\$3,305,000	\$3,343,000
TIFIA Bond -- Second Lien	[G]	1,873,000	2,498,000	2,498,000	2,498,000	2,498,000
TOTAL DEBT SERVICE	[H] = [F] + [G]	\$3,844,000	\$5,721,000	\$5,761,000	\$5,803,000	\$5,841,000
Debt Service coverage ratio--First Lien Obligations	[E] / [F]	2.41	1.99	1.99	2.01	2.01
Required Debt Service coverage ratio--First Lien Obligations		1.25	1.25	1.25	1.25	1.25
Debt Service coverage ratio--First and Second Lien Obligations	[E] / [H]	1.24	1.12	1.13	1.14	1.15
Required Debt Service coverage ratio--First and Second Lien Obligations		1.10	1.10	1.10	1.10	1.10

<sup>1</sup> FY 2010 represents nine months of Intermodal Facility operations.

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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 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 Series 2006 Bonds, issued under the Indenture and secured by the Trust Estate.

**"Airport"** T.F. Green State 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 a 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"** CIFG Assurance North America, Inc.

**"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.

**"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).

**"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 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.

**"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 to be designed and constructed by RIAC or the Rhode Island Department of Transportation at or adjacent to the Airport for train, bus, commuter, and rental car access to and egress from the Airport.

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

**"Issuer"** Shall mean 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 "A-1" 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 ("Moody's"), or Standard & Poor's Credit Market Services, a division of McGraw-Hill, Inc. ("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.

**"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 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 Series 2006 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 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 – No. 2006-1001, TIFIA BOND" issued as a Second Lien Obligation to evidence the 2006 TIFIA Loan pursuant to the First Supplemental Indenture.

**"USDOT"** The U.S. Department of Transportation, acting by and through the Federal Highway Administrator.

#### **APPLICATION OF PROCEEDS OF THE BONDS**

*Construction Fund.* A Construction Fund is established by the Issuer with the Trustee. Within the Construction Fund there are two separate accounts, the Series 2006 Project Account and the Series 2006 Capitalized Interest Account.

*Transfer of Capitalized Interest Account on Completion.* Upon completion of the Intermodal Facility, funds on deposit in the Series 2006 Capitalized Interest Account will be transferred to the First Lien Debt Service Fund.

*Transfer of Project Accounts on Completion.* When the Intermodal Facility has been completed and when all Project Costs of the Intermodal Facility have been paid, as provided in the Concession Agreement, the Trustee, pursuant to written direction of the Issuer and RIAC, shall transfer all moneys remaining in the Construction Fund, if any, to the First Lien Debt Service Fund to be applied to the payment of the Series 2006 First Lien Obligations.

When the Intermodal Facility has been completed and all Project Costs of the Intermodal Facility have been paid, the Trustee shall transfer all moneys remaining in the Series 2006 Project Account to the First Lien Debt Service Fund to be applied to the payment of the First Lien Obligations.

*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 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 (1/6<sup>th</sup>) 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 (1/12<sup>th</sup>) 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 from the proceeds of the Series 2006 Bonds in the 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 (1/12<sup>th</sup>) 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 Series 2006 Project Account or the Series 2006 Capitalized Interest Account

in the Construction Fund prior to completion of the Intermodal Facility, and thereafter 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 2006 SERIES BONDS**

The 2006 Series 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:

(i) 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

(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) 1.1 times the maximum Annual Debt Service on all First Lien Obligations and Second Lien Obligations (including such Additional First Lien Obligations); and

(iii) 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:

(i) 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

(ii) 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

(iii) 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 Series 2006 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 Trust Company, N.A. and its successors and assigns.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE TIFIA LOAN AGREEMENT

The following statements summarize certain provisions of the Secured Loan Agreement dated as of June 1, 2006 (the "TIFIA Loan Agreement") by and between the Rhode Island Economic Development Corporation ("EDC"), the Rhode Island Airport Corporation ("RIAC"), the Rhode Island Department of Transportation ("RIDOT") and the United States Department of Transportation ("USDOT") acting by and through the Federal Highway Administrator (the "Lender"). These statements do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the TIFIA Loan Agreement. Copies of the TIFIA Loan Agreement are available for examination at the offices of the EDC. Capitalized terms used in this summary but not otherwise defined shall have the meanings given to such terms in the Indenture. See "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions."

#### Definitions

*"Act"* means the Transportation Infrastructure Finance and Innovation Act ("TIFIA") of 1998, § 1501 et seq. of Public Law 105-178 (as amended by the TEA Restoration Act, Public Law 105-206 and Public Law 109-59), codified as 23 U.S.C. § 601, et seq.

*"Additional Bonds"* means Bonds of the EDC issued for the purpose of financing all or a portion of the costs of completing the Project which are approved by the Lender.

*"Additional Second Lien Obligations"* means Second Lien Obligations, in addition to the TIFIA Bond, authorized to be issued or incurred under the Indenture and secured by a lien on, pledge of and security interest in the Trust Estate, subject to the lien on, pledge of and security interest in the Trust Estate established for the benefit and security of the First Lien Obligations.

*"Bankruptcy Related Event"* means the EDC shall (A) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of the EDC, or (B) become unable to pay its debts generally as they become due, or (C) be adjudicated a bankrupt or insolvent, or (D) commence a voluntary case under the United States Bankruptcy Code 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 the EDC in any state or federal bankruptcy, reorganization or insolvency proceeding or take corporate action for the purpose of effecting any of the foregoing.

*"Capitalized Interest Period"* means the period beginning on June 27, 2006 and ending on October 1, 2009.

*"Concession Agreement"* means the Amended and Restated Rental Car Company Concession Agreements to be entered by RIAC and the rental car companies to conduct business at the Intermodal Facility.

*"Development Default"* shall have the meaning set forth in "Events of Default and Remedies" below.

*"EDC Loan Agreement"* means the Loan Agreement between the EDC and RIAC and consented to by the Trustee pursuant to which the EDC intends to loan the proceeds of the TIFIA Loan to RIAC to finance, among other things, Eligible Project Costs.

*"Effective Date"* means June 27, 2006, the effective date of the TIFIA Loan Agreement.

*"Eligible Project Costs"* means amounts in the Project Budget for the Project, substantially all of which are paid by or for the account of the EDC, RIAC or RIDOT in connection with the Project, including the cost of:

- (A) development phase activities, including planning, feasibility analysis, revenue forecasting, environmental review, permitting, preliminary engineering and design work, and other preconstruction activities;
- (B) construction, reconstruction, rehabilitation, replacement, and acquisition of real property (including land related to the Project and improvements to land), environmental mitigation, construction contingencies, and acquisition of equipment; and
- (C) capitalized interest necessary to meet market requirements, reasonably required reserve funds, capital issuance expenses, and other carrying costs during construction.

*"Event of Default"* shall have the meaning assigned to such term in "Events of Default and Remedies" below.

*"Facility Revenues"* means Facility Revenues as defined in the Indenture.

*"Final Maturity Date"* means July 1, 2042 or 35 years after the date of Substantial Completion, whichever is earlier, with respect to the TIFIA Bond.

*"First Supplemental Indenture of Trust"* means the First Supplemental Indenture of Trust dated as of June 1, 2006, between the EDC and the Trustee, pursuant to which the TIFIA Bond is authorized.

*"Flow of Funds"* means the Flow of Funds established under the Indenture for the order of priority in which Facility Revenues shall be transferred from the Revenue Fund and other funds and accounts established under the Indenture.

*"Government"* means the United States of America and its departments and agencies.

*"Indenture"* means the Indenture of Trust dated as of June 1, 2006, between the EDC, RIAC and the Trustee, as amended by the First Supplemental Indenture of Trust dated as of June 1, 2006, and further amended and supplemented in accordance with the terms thereof and the TIFIA Loan Agreement.

*"Intermodal Facility"* means the Intermodal Facility as defined in the Indenture and being financed pursuant to the Indenture with the proceeds of the Obligations, including the TIFIA Bond.

*"Investment Grade Rating"* means a rating category of BBB minus, Baa3, or higher, assigned by a Rating Agency to the EDC's Project obligations offered into the capital markets.

*"Loan Amortization Schedule"* means the Loan Amortization Schedule attached to the TIFIA Bond as adjusted from time to time in accordance with the provisions of the TIFIA Loan Agreement.

*"Obligations"* means Obligations as defined in the Indenture.

*"Outstanding TIFIA Loan Balance"* means the aggregate principal amount drawn by the EDC and then outstanding with respect to the TIFIA Loan, as determined in accordance with the provisions set forth under "Outstanding TIFIA Loan Balance" below.

*"Payment Date"* means each interest and principal payment date as set forth in the Loan Amortization Schedule. In the event that such date falls on a weekend or holiday, the payment date is the immediately succeeding business day.

*"Permitted Investments"* means, to the extent permitted by law (but only with respect to the investment of the proceeds of the TIFIA Loan, if any):

- (i) obligations of the United States, its agencies and instrumentalities;
- (ii) certificates of deposit where the certificates are collaterally secured by securities of the type described in item (i) of this definition and held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest, but this collateral is not required to the extent the certificates of deposit are insured by an agency of the Government; and
- (iii) repurchase agreements when collateralized by securities of the type described in item (i) of this definition and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest.

*"Project"* means the Intermodal Facility.

*"Project Agreement"* means the Project Agreement dated as of June 1, 2006 between RIDOT and RIAC.

*"Project Budget"* means the budget for the Project in the aggregate amount of \$222,455,701, as amended from time to time with the approval of the Lender. The Project Budget for the Project is attached to the TIFIA Loan Agreement showing a summary of all Eligible Project Costs and the estimated sources and uses of funds for the Project.

*"Rating Agency"* means Standard & Poor's, Moody's Investors Service, Inc., Fitch Ratings or another national bond rating agency approved by the Lender.

*"Related Documents"* mean agreements, instruments and other documents that are required in connection with or material to the TIFIA Loan or the Project, such as the Feasibility Report, the EDC Loan Agreement, the Project Agreement, and the Financial Plan described in the TIFIA Loan Agreement.

*"Rental Car Companies"* means individually or collectively, the rental car companies that become signatories to the Concession Agreement and any of their successors or permitted assigns thereunder.

*"Second Lien Debt Service Fund"* means the Second Lien Debt Service Fund created pursuant to Section 5.07 of the Indenture.

*"Second Lien Debt Service Reserve Fund"* means the Second Lien Debt Service Reserve Fund created pursuant to Section 5.08 of the Indenture.

*"Secretary"* means the Secretary of the USDOT.

*"Servicer"* means such entity or entities as the Lender shall designate from time to time to perform, or assist the Lender in performing, certain duties under the TIFIA Loan Agreement.

*"State"* means the State of Rhode Island and Providence Plantations.

*"Substantial Completion"* means, with respect to the Project, the Date of Operational Opening of the Intermodal Facility on which RIAC determines the "DOO" as defined in the Concession Agreement.

*"Supplemental Loan Agreement"* means a supplemental loan agreement between the Lender and the EDC pursuant to which the Lender may loan to the EDC an additional secured loan.

*"TIFIA Bond"* means the TIFIA Bond issued by the EDC pursuant to the TIFIA Loan Agreement in substantially the form of **Exhibit A** to the TIFIA Loan Agreement, to evidence the EDC's obligations under the TIFIA Loan Agreement.

*"TIFIA Loan"* means the secured loan from the Lender to the EDC made pursuant to the TIFIA Loan Agreement and evidenced by the TIFIA Bond.

*"Trustee"* means The Bank of New York Trust Company, N.A., as Trustee under the Indenture, which will hold the Second Lien Debt Service Fund and the Second Lien Debt Service Reserve Fund pursuant to the TIFIA Loan Agreement and the Indenture.

*"Uncontrollable Force"* means any cause beyond the control of the EDC, including but not limited to: (1) a tornado, hurricane, flood or similar occurrence, landslide, earthquake, fire or other casualty, strike or labor disturbance, freight embargo, act of a public enemy, explosion, war, blockade, insurrection, riot, general arrest or restraint of government and people, civil disturbance or similar occurrence, or sabotage; provided that the EDC shall not be required to settle any strike or labor disturbance in which it may be involved or (2) the order or judgment of any federal, state or local court, administrative agency or governmental officer or body, if it is not also the result of willful or negligent action or a lack of reasonable diligence of the EDC and the EDC does not control the administrative agency or governmental officer or body; provided that the diligent contest in good faith of any such order or judgment shall not constitute or be construed as a willful or negligent action or a lack of reasonable diligence of the EDC.

#### **TIFIA Loan Amount, Term and Interest Rate**

**TIFIA Loan Amount.** The principal amount of the TIFIA Loan shall not exceed \$42,000,000. It is expected that the proceeds of the TIFIA Bond evidencing the entire TIFIA Loan will be disbursed pursuant to the TIFIA Loan Agreement for the Project. In no event shall the maximum principal amount of the TIFIA Loan, together with the amount of any other credit assistance provided under the Act, exceed 33% of reasonably anticipated Eligible Project Costs for the Project.

**Term.** The term of the TIFIA Loan for the TIFIA Bond shall extend from the Effective Date to the Final Maturity Date or to such earlier or later date as all amounts due or to become due to the Lender under the TIFIA Loan Agreement have been paid.

**Interest Rate.** The interest rate with respect to the TIFIA Loan shall be [\_\_\_\_\_] % for the TIFIA Bond. Interest will be computed on the Outstanding TIFIA Loan Balance (as well as on any past due interest to the extent authorized by Rhode Island law) from time to time on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed and will be compounded semi annually; provided, however, if the EDC fails to pay when due interest on or principal of the TIFIA Loan for the TIFIA Bond in accordance with the provisions of the TIFIA Loan Agreement, the EDC shall pay interest on such overdue amount from its due date to the date of actual payment at a rate of 2.0% greater than the interest rate (the "Default Rate").

## **Disbursement Conditions**

**Disbursement Generally.** TIFIA Loan proceeds of the TIFIA Bond shall be disbursed directly to RIAC to pay Eligible Project Costs, or to reimburse EDC, RIAC or RIDOT for their prior payment of Eligible Project Costs, incurred in connection with the Project. Such disbursement shall be made pursuant to a requisition submitted by the EDC to, and approved by, the Lender, all in accordance with the TIFIA Loan Agreement, provided, however, that any disbursement by the Lender of the TIFIA Loan to pay or reimburse the EDC or RIAC or RIDOT for Eligible Project Costs shall be made no later than one year after the date of Substantial Completion of the Project.

Copies of each requisition shall be prepared by RIAC and delivered to the TIFIA Joint Program Office (HCF-50), the Servicer and the FHWA Rhode Island Division Office on or before the first day of each month, or the next succeeding Business Day if such first day is not a Business Day, in which a disbursement is requested. If the Lender shall not expressly approve or deny such requisition, disbursements of funds shall be made by the 15<sup>th</sup> day of the month, or on the next succeeding Business Day if such 15<sup>th</sup> day is not a Business Day, in which a disbursement has been requested. Express Lender approval or denial shall be substantially in the form annexed to the TIFIA Loan Agreement. In no event shall disbursements be made more than once each month, nor shall at the time of any disbursement the sum of all prior disbursements of TIFIA Loan proceeds and the disbursement then to be made exceed the cumulative disbursements through the end of the then-current year set forth in the Anticipated TIFIA Loan Disbursement Schedule attached to the TIFIA Loan Agreement, as the same may be amended from time to time.

The Lender shall, not later than five (5) Business Days prior to the applicable disbursement date, provide RIAC with either (a) a notice that the disbursement conditions have been met and disbursement will be made on the disbursement date or (b) a notice of each of the conditions precedent to disbursement that have not been met if any conditions for disbursement have not been met by RIAC.

No proceeds of the TIFA Bond shall be disbursed by the Lender to RIAC until the EDC has closed its bond financing for its Series 2006 First Lien Obligations and has met all conditions for funding.

Until such time as RIAC provides the Lender with all necessary approvals and permits, including the air rights easement, required by Amtrak for the specific elements of the Project which require Amtrak approval, RIAC may only requisition thirty-three (33%) percent of all Eligible Project Costs. RIAC requisitions for Eligible Project Costs may not include any elements of the Project which require approvals and permits from Amtrak until such approvals and permits, including the air rights easement, have been obtained and provided to the Lender. It is understood and agreed that RIAC may not requisition any design and engineering costs for elements of the Project which require approvals and permits from Amtrak until such approvals and permits have been obtained.

## **Outstanding TIFIA Loan Balance**

(a) The Outstanding TIFIA Loan Balance for the TIFIA Bond will be (i) increased on each occasion on which the Lender shall disburse TIFIA Loan proceeds pursuant to the provisions of "Disbursement Conditions - Disbursement Generally" above, by the amount of such disbursement, (ii) increased on each occasion on which interest on the TIFIA Loan is capitalized pursuant to the provisions of "Payment of Principal and Interest - Capitalized Interest Period" below, by the amount of interest so capitalized, and (iii) decreased upon each payment or prepayment of the principal amount of the TIFIA Loan in accordance with the provisions under "Prepayment" below by the amount of principal so paid.

(b) The Lender may in its discretion at any time and from time to time or when so requested by the EDC advise the EDC and the Trustee by written notice of the amount of the Outstanding TIFIA Loan Balance as of

the date of such notice, and its determination of such amount in any such notice shall be deemed conclusive absent manifest error.

(c) Upon any determination of the Outstanding TIFIA Loan Balance, the Lender may, but shall not be obligated to, make applicable revisions to the Loan Amortization Schedule pursuant to the provisions of "Payment of Principal and Interest - TIFIA Bond; Adjustments to Loan Amortization Schedule" below, and in such event shall provide the EDC and the Trustee with a copy of such Loan Amortization Schedule as revised.

### **Security and Priority**

Pursuant to the Indenture, the EDC and RIAC have pledged and assigned to the Trustee and granted to the Trustee a security interest in the Facility Revenues and the Trust Estate, subject to the security interest therein pledged for the security and payment of the First Lien Obligations, for the equal and proportionate benefit of all Second Lien Obligations, except as otherwise permitted by or provided for in Section 812 of the Indenture, which apply to the TIFIA Loan. Section 812 of the Indenture describes the circumstances under which the TIFIA Loan will be deemed to be and will automatically become a First Lien Obligation under the Indenture. Pursuant to Article V of the Indenture, RIAC has entered into a Collection Covenant for the benefit of the Secured Owners (including the Lender) and RIAC has created a Revenue Fund and a Second Lien Debt Service Fund and a Second Lien Debt Service Reserve Fund and established a required Flow of Funds for deposits of Facility Revenues into the Revenue Fund and for transfers from the Revenue Fund into the funds created by the Indenture and the order of priority in which the transfers are to be made.

The EDC reaffirms its pledge of the Facility Revenues and the Trust Estate made under the Indenture to the Lender, subject to the security interest therein pledged for the security and payment of the First Lien Obligations, pursuant to the terms of the Indenture. The pledge of Facility Revenues to secure the TIFIA Loan shall be valid and binding from and after the Effective Date, and the items set forth in such pledge shall immediately become subject to the lien of such pledge without any physical delivery thereof or further act and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the EDC irrespective of whether such parties have notice thereof. RIAC also reaffirms the Collection Covenant and Rate Covenant made under Section 501 and Section 717 of the Indenture for the benefit of the Lender and agrees to comply with the requirements of the Indenture where necessary or appropriate to satisfy the Collection Covenant and Rate Covenant in the manner and to the extent set forth in the Indenture.

Except to the extent otherwise provided in the Indenture and as provided in this section ("Security and Priority"), the Facility Revenues and the Trust Estate pledged in the Indenture are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the TIFIA Loan Agreement, and all corporate action on the part of the EDC to that end has been duly and validly taken.

The Second Lien Debt Service Fund shall be held by the Trustee in accordance with the Indenture. The moneys in the Second Lien Debt Service Fund shall be held by the Trustee in trust and applied as hereinafter provided, and shall be subject to a lien and charge in favor of the Secured Owners of the Second Lien Obligations, including the Lender, and for the further security of the Lender until paid out as provided in the TIFIA Loan Agreement.

Subject to the provisions under "Payment of Principal and Interest" below, the EDC agrees to repay the TIFIA Loan by making payments through the Trustee from the Second Lien Debt Service Fund to the Servicer in the amounts and on each of the dates set forth in the Loan Amortization Schedule sufficient to pay (a) all interest which will become due and payable on the TIFIA Loan on each such date and (b) the principal, if any, of the TIFIA Loan which will become due and payable on each such date. On or before the 30th day prior to

each Payment Date, the Servicer shall provide notice to the EDC, RIAC, RIDOT and the Trustee of the amount of interest and/or principal due on the TIFIA Loan on such Payment Date.

The EDC shall not use the Facility Revenues to make any payments or satisfy any obligations other than in accordance with the provisions of this "Security and Priority" summary and the Indenture and shall not apply any portion of the Facility Revenues in contravention of the Indenture.

Subject to the provisions of the Indenture, including specifically Section 507, if on any date on which interest on or principal of the TIFIA Loan is due and payable the total of the moneys held to the credit of the Second Lien Debt Service Fund shall not be sufficient for paying such interest or principal, the Trustee shall withdraw any funds then on deposit to the credit of the funds and in the order of priority established by Section 504 of the Indenture and deposit to the Second Lien Debt Service Fund the amount necessary to cure such insufficiency (or the entire balance of such funds in the Revenue Fund if less than the required amount).

Amounts on deposit in the Second Lien Debt Service Fund and Second Lien Debt Service Reserve Fund, if any, shall be invested in Permitted Investments as defined in the TIFIA Loan Agreement.

### **Payment of Principal and Interest**

(a) Capitalized Interest Period. No payment of the principal of or interest on the TIFIA Loan is required to be made during the Capitalized Interest Period. On each January 1, and July 1, occurring during the Capitalized Interest Period, interest accrued in the six month period ending immediately prior to such date on the TIFIA Loan shall be capitalized and added to the Outstanding TIFIA Loan Balance. Within 30 days after the end of the Capitalized Interest Period, the Lender shall give written notice to the EDC stating the Outstanding TIFIA Loan Balance as of the close of business on the last day of the Capitalized Interest Period, which statement thereof shall be deemed conclusive absent manifest error; provided, however, that no failure to give or delay in giving such notice shall affect any of the obligations of the EDC under the TIFIA Loan Agreement or under any of the other Related Documents.

(b) Payment of Debt Service. The EDC shall pay debt service on the TIFIA Loan in accordance with the Loan Amortization Schedule; provided, however, that any debt service that is not paid when due under the TIFIA Loan Agreement shall thereafter remain at all times due and payable (together with interest accrued thereon at the Default Rate) until paid in full. Each payment of debt service shall be applied first to unpaid accrued interest on the TIFIA Loan and thereafter to the principal amount of the TIFIA Loan.

(c) Manner of Payment. Payments and prepayments under the TIFIA Loan Agreement and the TIFIA Bond shall be made by wire transfer on or before the Business Day preceding each Payment Date in immediately available funds in accordance with payment instructions provided by a Lender's Authorized Representative pursuant to the provisions of the TIFIA Loan Agreement, as modified in writing from time to time by a Lender's Authorized Representative.

(d) TIFIA Bond; Adjustments to Loan Amortization Schedule. As evidence of the EDC's obligation to repay the TIFIA Loan, the EDC shall issue and deliver to the Lender, on or prior to the Effective Date, a TIFIA Bond having a maximum principal amount of \$42,000,000 and bearing interest at [\_\_\_\_\_] % per annum. The Lender is authorized to enter on the grid attached to the TIFIA Bond the amount of each disbursement made under the TIFIA Loan Agreement and to amend the Loan Amortization Schedule from time to time to comply with the terms of repayment established in the TIFIA Loan Agreement. Absent manifest error, the Lender's determination of such matters as set forth on the grid attached to the TIFIA Bond and the Loan Amortization Schedule shall be conclusive evidence thereof.

## **Prepayment**

The EDC may prepay the TIFIA Loan in whole or in part (and, if in part, the principal installments and amounts thereof to be prepaid shall be determined by the EDC; provided, however, that such prepayment shall be in the minimum principal amount of \$1,000,000 or any integral multiple thereof), at any time or from time to time, without penalty or premium, by paying to the Lender such principal amount of the TIFIA Loan to be prepaid, together with the unpaid interest accrued on the amount of principal so prepaid to the date of such prepayment. Each prepayment of the TIFIA Loan shall be made on such date and in such principal amount as shall be specified by the EDC in a written notice delivered to the Lender. In the case of any prepayment, such written notice shall be delivered to the Lender not less than 30 days prior to the date set for prepayment.

Notice having been given as stated in the preceding paragraph, the principal amount of the TIFIA Loan stated in such notice or the whole thereof, as the case may be, shall become due and payable on the prepayment date stated in such notice, together with interest accrued and unpaid to the prepayment date on the principal amount then being prepaid; and the amount of principal and interest then due and payable shall be paid (i) in case the entire unpaid balance of the principal of the TIFIA Bond is to be prepaid, upon presentation and surrender of such TIFIA Bond evidencing the obligation to repay such TIFIA Loan to the EDC or its representative at the principal office of Lender, and (ii) in case only part of the unpaid balance of principal of such TIFIA Bond is to be prepaid, the Lender may make a notation on the TIFIA Bond indicating the amount of principal and interest on such TIFIA Bond then being prepaid. All such partial prepayments of principal shall be applied to future installments due on such TIFIA Bond in accordance with subparagraph (c) under "Outstanding TIFIA Loan Balance" above, and the Lender is authorized by the EDC to, make the appropriate notations thereof on such TIFIA Bond and to revise the Loan Amortization Schedule in accordance with the provisions of this paragraph. All such partial prepayments of principal shall be applied to future installments due on the TIFIA Bond in accordance with Section 7 of the TIFIA Loan Agreement, and the Lender is authorized by the EDC to, make the appropriate notations thereof on Appendix One to the TIFIA Bond and to revise the Loan Amortization Schedule in accordance therewith. The Lender shall give notice to the EDC and the Trustee of each revision to the Loan Amortization Schedule. Absent manifest error such Lender notations and revisions shall be conclusive. If said moneys shall not have been so paid on the prepayment date, such principal amount of the TIFIA Bond shall continue to bear interest until payment thereof at the rate provided for in Section 6 of the TIFIA Loan Agreement.

## **Deferred Repayment**

If, at any time after the date of Substantial Completion of the Project, the Project is unable to generate sufficient Facility Revenues to pay the scheduled repayments of principal and interest on the TIFIA Loan, the Secretary may, subject to the EDC providing reasonable assurances of repayment, and upon other criteria as may be established by the Secretary, allow the EDC to add unpaid principal and interest to the outstanding balance of the TIFIA Loan.

Any payment deferred under Section 11 of the TIFIA Loan Agreement shall (i) accrue or continue to accrue interest until fully repaid and (ii) be scheduled to be amortized over the remaining term of the TIFIA Loan.

Nothing in this Section shall be construed to mean that the Secretary is granting in advance to the EDC an approval to defer repayment of any principal and interest outstanding on the TIFIA Loan.

## **Additional Bonds**

Pursuant to Section 12 of the TIFIA Loan Agreement, the EDC agrees that it will not issue any Additional Bonds without the prior written approval of the Lender.

## **Compliance with Laws**

RIAC agrees and shall require RIAC's contractors and subcontractors to abide by all applicable federal and state laws. The FHWA Rhode Island Division Office has oversight responsibility for ensuring compliance with all applicable provisions of federal law and will work with the EDC, RIAC and RIDOT pursuant to the Rhode Island Federal-Aid Stewardship and Oversight Agreement thereto, in carrying out such oversight responsibilities. RIAC agrees that there will be no irreversible or irretrievable commitment of the proceeds of the TIFIA Loan, including but not limited to physical construction, before all state and/or federal environmental permits are finalized and approved by the appropriate resource agencies for the stage of work being financed with the proceeds of the TIFIA Loan. In the unlikely event that an unknown environmental permit is required after construction has begun, RIAC or RIDOT, as applicable, shall take immediate steps to acquire that state and/or federal permit. The Project has been included in the approved state transportation improvement program as required by Section 182(a)(1) of the Act.

## **Representations and Warranties**

(A) The EDC represents and warrants, among other things, that as of the Effective Date:

(a) The EDC is duly organized and in good standing under the laws of the State, has full legal right, power and authority to enter into the TIFIA Loan Agreement, to issue the Bond and to carry out and consummate all transactions contemplated by the TIFIA Loan Agreement and has duly authorized the execution, delivery and performance of the TIFIA Agreement and the TIFIA Bond.

(b) The officers of the EDC executing the TIFIA Loan Agreement and the TIFIA Bond are duly and properly in office and fully authorized to execute the same on behalf of the EDC.

(c) The TIFIA Loan Agreement, the Related Documents and the TIFIA Bond have been duly authorized, executed and delivered by the EDC and constitute the legal, valid and binding agreements of the EDC enforceable in accordance with their terms.

(d) The execution and delivery of the TIFIA Loan Agreement, the Related Documents to which the EDC is a party, and the TIFIA Bond, the consummation of the transactions described in the TIFIA Loan Agreement and the fulfillment of or compliance with the terms and conditions thereof and of the TIFIA Bond will not, in any material respect, conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) by the EDC of any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which the EDC is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the EDC.

(e) No consent or approval of any trustee, holder of any indebtedness of the EDC or any other person, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental entity is necessary in connection with the execution and delivery of the TIFIA Loan Agreement or the TIFIA Bond, the consummation of any transaction described therein, or the fulfillment of or compliance with the terms and conditions thereof applicable to the EDC, except as have been obtained or made and as are in full force and effect.

(f) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the EDC after reasonable inquiry and investigation, threatened against or affecting the EDC or the assets, properties or operations of the EDC

which are likely to be determined adversely to the EDC or its interests, and which if so determined could have a material adverse effect upon the consummation of the transactions contemplated by or the fulfillment or compliance with the terms and conditions of or the validity or enforceability of the TIFIA Loan Agreement, the Related Documents or the TIFIA Bond or upon the financial condition, assets, properties or operations of the EDC. The EDC is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would be likely to materially and adversely affect the consummation of the transactions contemplated by the TIFIA Loan Agreement or the financial conditions, assets, properties or operations of the EDC.

(g) The Indenture establishes the valid pledge of and lien on the Facility Revenues which it purports to create; such pledge and lien are in full force and effect, and the EDC is not in breach of any of its covenants set forth in the Indenture or in the TIFIA Loan Agreement. (See "Security and Priority" above, and "Covenants" below).

(h) The EDC is not debarred or suspended from participation in Government contracts or delinquent on a Government debt.

(i) Information, representations, warranties and certifications set forth in the TIFIA Loan Agreement and all information provided by the EDC to the Lender in the Application and otherwise remain true and accurate in all material respects.

(j) The Series 2006 First Lien Obligations have received an Investment Grade Rating from at least one Rating Agency, all to the extent provided in written evidence of such rating provided to the Lender on or before the Effective Date, and to the knowledge of the EDC, no such rating has been reduced, withdrawn or suspended as of the Effective Date.

(k) Upon execution and delivery of the TIFIA Loan Agreement and the TIFIA Bond, the EDC is not in default in any material respect under the terms thereof.

(l) All authorizations, consents, approvals, and reviews required as of the date of the execution and delivery of the TIFIA Loan Agreement for the undertaking and completion by the EDC of the Project have been obtained or effected, or will be obtained or effected, and are, or will be, in full force and effect, and there is no basis for the revocation of any such authorization, consent or approval.

(B) RIAC represents and warrants, among other things, that as of the Effective Date:

(a) RIAC is duly organized and in good standing under the laws of the State, has full legal right, power and authority to enter into the TIFIA Loan Agreement and to carry out and consummate all transactions contemplated by the TIFIA Loan Agreement and has duly authorized the execution, delivery and performance of the TIFIA Loan Agreement.

(b) The officers of RIAC executing the TIFIA Loan Agreement are duly and properly in office and fully authorized to execute the same on behalf of RIAC.

(c) The TIFIA Loan Agreement and the Related Documents executed by RIAC have been duly authorized, executed and delivered by RIAC and constitute the legal, valid and binding agreements of RIAC enforceable in accordance with their terms.

(d) The execution and delivery of the TIFIA Loan Agreement and the Related Documents to which RIAC is a party, the consummation of the transactions described therein and the fulfillment of or compliance with the terms and conditions thereof and of the TIFIA Bond will not, in any material respect, conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) by RIAC of any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which RIAC is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of RIAC.

(e) No consent or approval of any trustee, holder of any indebtedness of RIAC or any other person, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental entity is necessary in connection with the execution and delivery of the TIFIA Loan Agreement or the Related Documents executed by RIAC, the consummation of any transaction described therein, or the fulfillment of or compliance with the terms and conditions thereof, except as have been obtained or made and as are in full force and effect, or will be obtained in connection with the construction of the Project pursuant to the Project Agreement.

(f) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of RIAC after reasonable inquiry and investigation, threatened against or affecting RIAC or the assets, properties or operations of RIAC which are likely to be determined adversely to RIAC or its interests, and which if so determined could have a material adverse effect upon the consummation of the transactions contemplated by or the fulfillment or compliance with the terms and conditions of or the validity or enforceability of the TIFIA Loan Agreement, the Related Documents or the TIFIA Bond or upon the financial condition, assets, properties or operations of RIAC. RIAC is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would be likely to materially and adversely affect the consummation of the transactions contemplated by the TIFIA Loan Agreement or the financial conditions, assets, properties or operations of RIAC.

(g) RIAC is not in breach of any covenants set forth in the TIFIA Loan Agreement.

(h) RIAC is not debarred or suspended from participation in Government contracts or delinquent on a Government debt.

(i) Information, representations, warranties and certifications set forth in the TIFIA Loan Agreement and all information provided by RIAC to the Lender remain true and accurate in all material respects.

(j) Upon execution and delivery of the TIFIA Loan Agreement, RIAC is not in default in any material respect under the terms thereof.

(k) All authorizations, consents, approvals, and reviews required as of the date of the execution and delivery of the TIFIA Loan Agreement for the undertaking and completion by RIAC of the Project have been obtained or effected, or will be obtained or effected, and are, or will be, in full force and effect, and there is no basis for the revocation of any such authorization, consent or approval.

(C) RIDOT represents and warrants, among other things, that as of the Effective Date:

(a) RIDOT is a department of state government and, under the laws of the State, has full legal right, power and authority to enter into the TIFIA Loan Agreement and to carry out and consummate all transactions contemplated by the TIFIA Loan Agreement.

(b) The Director of RIDOT executing the TIFIA Loan Agreement duly and properly holds the office of Director and is fully authorized to execute and deliver the same on behalf of RIDOT.

(c) The TIFIA Loan Agreement and the Related Documents executed by RIDOT have been duly authorized, executed and delivered by RIDOT and constitute the legal, valid and binding agreements of RIDOT enforceable in accordance with their terms.

(d) The execution and delivery of the TIFIA Loan Agreement and the Related Documents to which RIDOT is a party, the consummation of the transactions described therein and the fulfillment of or compliance with the terms and conditions thereof and of the TIFIA Bond will not, in any material respect, conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) by RIDOT of any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement or instrument to which RIDOT is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of RIDOT.

(e) No consent or approval of any trustee, holder of any indebtedness of RIDOT or any other person, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental entity is necessary in connection with the execution and delivery of the TIFIA Loan Agreement or the Related Documents executed by RIDOT, the consummation of any transaction described therein, or the fulfillment of or compliance with the terms and conditions thereof, except as have been obtained or made and as are in full force and effect, or will be obtained in connection with the construction of the Project pursuant to the Project Agreement.

(f) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of RIDOT after reasonable inquiry and investigation, threatened against or affecting RIDOT or the assets, properties or operations of RIDOT which are likely to be determined adversely to RIDOT or its interests, and which if so determined could have a material adverse effect upon the consummation of the transactions contemplated by or the fulfillment or compliance with the terms and conditions of or the validity or enforceability of the TIFIA Loan Agreement, the Related Documents or the TIFIA Bond or upon the financial condition, assets, properties or operations of RIDOT. RIDOT is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would be likely to materially and adversely affect the consummation of the transactions contemplated by the TIFIA Loan Agreement or the financial conditions, assets, properties or operations of RIDOT or its properties.

(g) RIDOT is not in breach of any covenants set forth in the TIFIA Loan Agreement.

(h) RIDOT is not debarred or suspended from participation in Government contracts or delinquent on a Government debt.

(i) Information, representations, warranties and certifications set forth in the TIFIA Loan Agreement and all information provided by RIDOT to the Lender remain true and accurate in all material respects.

(j) RIDOT has complied, with respect to the Project, with the requirements of the National Environmental Policy Act of 1969 (42 U.S.C. § 4321 *et seq.*)

(k) The Project has been included by RIDOT in the state transportation plan and the approved state transportation improvement program as required by Section 182(a)(1) of the Act.

(l) The Project is included in the approved State Transportation Improvement Program (STIP) required under 23 U.S.C. § 134.

(m) Upon execution and delivery of the TIFIA Loan Agreement, RIDOT is not in default in any material respect under the terms thereof.

(n) All authorizations, consents, approvals, and reviews required as of the date of the execution and delivery of the TIFIA Loan Agreement for the undertaking and completion by RIDOT of the Project have been obtained or effected, or will be obtained and effected, and are, or will be, in full force and effect, and there is no basis for the revocation of any such authorization, consent or approval.

The EDC, RIAC and RIDOT shall restate each of these representations and warranties set forth in this Section as of the date of issuance of any Additional Bonds issued under the TIFIA Loan Agreement and the Indenture.

## **Covenants**

(A) The EDC covenants and agrees that:

(a) The EDC shall not issue Additional Bonds or incur other indebtedness secured by a lien on all or any portion of the Facility Revenues that is on a parity with or prior to the lien securing the TIFIA Loan without the Lender's prior written approval.

(b) The EDC shall at any and all times, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning, securing and confirming all and singularly the rights in and to the Facility Revenues and other moneys, securities, funds and accounts, if any, pledged or assigned under the TIFIA Loan Agreement, or intended so to be pledged or assigned, or which the EDC may become bound to pledge or assign, and the Facility Revenues and other moneys, securities, funds and accounts, if any, so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Indenture and the TIFIA Loan Agreement, other than as permitted by such documents, and all corporate action on the part of the EDC to that end has been duly and validly taken. The TIFIA Loan Agreement and the Indenture are and will be valid and legally enforceable obligations of the EDC in accordance with their terms. The EDC shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Facility Revenues and other moneys, securities, funds and accounts, if any, pledged under the TIFIA Loan Agreement and under the Indenture and all the rights of the Lender under the TIFIA Loan Agreement and under the Indenture against all claims and demands of all persons whomsoever.

(c) EDC shall furnish to Lender a copy of any Official Statement or other offering document and cash flow projections prepared in connection with the issuance of the Obligations, or any

additional First Lien Obligations or Second Lien Obligations or Subordinate Lien Obligations, prior to the issuance of any such Obligations, as well as copies of any continuing disclosure documents filed in connection with Rule 15c2-12 of the Securities and Exchange Commission.

(d) EDC shall use the proceeds of the TIFIA Loan only to pay, or to reimburse the EDC, RIAC or RIDOT for, Eligible Project Costs.

(e) EDC shall require RIAC to reasonably prosecute the work relating to the Project and complete the Project in accordance with the construction schedule (as the same may be amended from time to time) pursuant to the provisions of the TIFIA Loan Agreement.

(f) EDC shall require RIAC to maintain operation of the Project and operate the Project in a reasonable and prudent manner and shall maintain the Project in good repair, working order and condition and shall from time to time require RIAC to make or cause to be made all necessary and proper replacements, repairs, renewals and improvements so that the Project shall not be materially impaired to the extent Facility Revenues are available.

(g) EDC shall require that RIAC shall at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self-insurance (or a combination thereof), all such insurance on the Project as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties.

(h) EDC shall, within five (5) Business Days after the EDC learns of the occurrence, give the Lender notice of any of the following events, setting forth details of such event:

(1) Events of Defaults - any Event of Default or any event which, given notice or the passage of time or both, would constitute an Event of Default (defined below) by the EDC;

(2) Litigation - the filing of any actual litigation, suit or action, or the delivery to the EDC of any written claim, which could reasonably be expected to have a material adverse effect upon the Project or its Facility Revenues and expenses, or upon the EDC or its performance under the TIFIA Loan Agreement or under the TIFIA Bond; and

(3) Other Adverse Events - the occurrence of any other event or condition which could reasonably be expected to have a material and adverse effect upon the Project or its Facility Revenues or expenses or upon the EDC or its performance under the TIFIA Loan Agreement or under the TIFIA Bond.

(i) Within 30 days after an event specified in the immediately preceding Subsection (h), the EDC shall provide a statement of an Authorized Representative setting forth the actions the EDC proposes to take with respect thereto.

(j) So long as the TIFIA Loan is outstanding, the EDC shall not, without the prior written consent of the Lender, either (1) extinguish the lien of the Indenture or (2) amend the Indenture or any Related Document in a manner that would materially adversely affect the Lender in connection with the TIFIA Loan or impair the security of the TIFIA Loan. Except as otherwise agreed by the Lender in writing, the EDC will provide to the Lender copies of any proposed amendments to the Indenture or any Related Document or the Financial Plan at least 30 days prior to the effective date thereof.

(k) The covenants of EDC set forth in the Indenture shall inure to the benefit of the Lender with the same force and effect as if set forth at this place and the TIFIA Loan was secured and the TIFIA Bond was issued under the Indenture.

(l) EDC shall use its good faith efforts to maintain its existence and shall not consolidate with, privatize or merge into any other person or entity or convey, assign, transfer or lease all or substantially all of the Project to any other person or entity, other than the pledge and assignment of the Facility Revenues to the Trustee for the benefit of the holders of the First Lien Obligations, the Second Lien Obligations and the Subordinate Lien Obligations, unless provision is made for the payment of its outstanding debt, including the TIFIA Loan.

(m) EDC shall require RIAC to enforce the Concession Agreement with each of the Rental Car Companies and will require RIAC to collect the Facility Revenues (including the Customer Facility Charges) which the Rental Car Companies have agreed to pay.

(n) EDC shall require RIAC to abide by the Collections Covenant and the Rate Covenant contained in the Indenture, and shall require RIAC to certify to the Lender in its annual Financial Plan each year that RIAC is in compliance with the Collections Covenant and the Rate Covenant, and further agrees that it will not issue First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligations without first satisfying the respective tests for the issuance of such indebtedness set forth in the Indenture and Section 12 of the TIFIA Loan Agreement. The EDC agrees not to amend the tests for the issuance of First Lien Obligations, Second Lien Obligations or Subordinate Lien Obligations contained in the Indenture without the prior written consent of the Lender.

(o) EDC shall annually, commencing in 2007, no later than 120 days following the end of its fiscal year, provide during the term of the TIFIA Loan, at no cost to the Lender, a letter from a Rating Agency confirming the rating on the EDC's outstanding debt obligations relating to the Project, including the TIFIA Loan. Such evaluations shall be performed by a Rating Agency and shall be provided throughout the term of the TIFIA Loan.

(p) EDC agrees it will not amend the Indenture or expressly permit RIAC to amend the Concession Agreement in any way that would materially impair or reduce the collection of Customer Facility Charges or Facility Revenues without the prior written approval of the Lender, which approval will not be unreasonably withheld so long as the amendment proposed by the EDC or RIAC does not substantively affect the rights or obligations of the Lender.

(q) EDC agrees to provide the Lender with a transcript of its bond financing as soon as possible after the closing for its Series 2006 First Lien Obligations.

**B. RIAC covenants and agrees that:**

(a) RIAC shall use the proceeds of the TIFIA Loan only to pay, or to reimburse the EDC, RIAC or RIDOT for, Eligible Project Costs, including the tenant improvements as contemplated by the Concession Agreement.

(b) RIAC shall reasonably prosecute the work relating to the Project and complete the Project in accordance with the terms and conditions of the Project Agreement and pursuant to the provisions of the TIFIA Loan Agreement.

(c) RIAC shall maintain operation of the Project and shall operate the Project in a reasonable and prudent manner and shall maintain the Project in good repair, working order and condition and shall from

time to time make or cause to be made all necessary and proper replacements, repairs, renewals and improvements so that the Project shall not be materially impaired to the extent Facility Revenues are available.

(d) RIAC shall at all times maintain with responsible insurers, to the extent available from responsible insurers at reasonable rates, or through a program of self-insurance (or a combination thereof), all such insurance on the Project as is customarily maintained with respect to works and properties of like character against accidents to, loss of or damage to such works or properties.

(e) RIAC shall use its good faith efforts to maintain its existence and shall not consolidate with, privatize or merge into any other person or entity or convey, assign, transfer or lease all or substantially all of the Project to any other person or entity, other than (i) to RIDOT and/or as contemplated by the Concession Agreement, and (ii) the pledge and assignment of Facility Revenues to the Trustee for the benefit of holders of the First Lien Obligations, the Second Lien Obligations and the Subordinate Lien Obligations, unless provision is made for the payment of its outstanding debt, including the TIFIA Loan.

(f) RIAC will enforce the Concession Agreement with each of the Rental Car Companies and will collect the Facility Revenues (including the Customer Facility Charges) which the Rental Car Companies have agreed to pay.

(g) RIAC agrees to abide by the Collections Covenant and the Rate Covenant contained in the Indenture.

(h) RIAC agrees it will not amend the Concession Agreement in any way that would materially impair or reduce the collection of Customer Facility Charges or Facility Revenues without the prior written approval of the Lender, which approval will not be unreasonably withheld so long as the amendment proposed by RIAC does not substantively affect the rights or obligations of the Lender.

(C) RIDOT covenants and agrees that:

(a) So long as the TIFIA Loan is outstanding, RIDOT shall not, without the prior written consent of the Lender, amend any Related Document to which it is a party, including the Project Agreement, in a manner that would materially adversely affect the Lender in connection with the TIFIA Loan or impair the security of the TIFIA Loan. Except as otherwise agreed by the Lender in writing, the EDC will provide to the Lender copies of any proposed amendments to any Related Documents at least 30 days prior to the effective date thereof.

(b) RIDOT shall not convey, assign, transfer or lease all or substantially all of the Project to any other person or entity, other than (i) pursuant to the lease of the Airport and the Intermodal Facility to RIAC, and (ii) the pledge and assignment of the Facility Revenues to the Trustee for the benefit of the holders of the First Lien Obligations, the Second Lien Obligations and the Subordinate Lien Obligations, unless provision is made for the payment of its outstanding debt, including the TIFIA Loan.

**Indemnification**

To the extent authorized and permitted by Rhode Island law, the EDC and RIAC shall indemnify the Lender against (a) the claims of any person arising out of the execution, delivery and performance of the TIFIA Loan Agreement except as may result from Lender's negligence or willful misconduct or failure to honor the terms of the TIFIA Loan Agreement; and (b) any and all costs, counsel fees, expenses or liabilities reasonably incurred in connection with any such claim or any action or proceeding brought thereon, but only to the extent that Facility Revenues are available to pay any costs, claims or liabilities described in (a) and (b) above. In case any action or proceeding is brought against the Lender by reason of any such claim, the EDC or RIAC upon

notice from the Lender shall, to the extent permitted by Rhode Island law, defend the same and the Lender shall cooperate with the EDC or RIAC at the expense of the EDC or RIAC in connection therewith. Nothing in the TIFIA Loan Agreement shall be construed as a waiver of any legal immunity that may be available to the Lender.

### **Sale of TIFIA Loan**

The Lender may sell the TIFIA Loan to another entity or offer the TIFIA Loan into the capital markets as soon as practicable after Substantial Completion of the Project. In making such sale or offering of the TIFIA Loan the Lender shall not change the original terms and conditions of the TIFIA Loan without the prior written consent of the EDC. The Lender shall provide at least sixty (60) days notice to the EDC of any intention to sell or offer the TIFIA Loan. The Lender and the EDC agree that for so long as any First Lien Obligations remain outstanding under the Indenture, the provisions of Section 812 of the Indenture which provide that the TIFIA Loan will be deemed to be and will automatically become a First Lien Obligation upon the Event of Default under Section 801 of the Indenture and the provisions of Section 12 of the TIFIA Loan Agreement which provides that the EDC will not issue any Additional Bonds without the prior written approval of the Lender shall be of no force or effect following the sale or offering of the TIFIA Loan.

Nothing in the TIFIA Loan Agreement shall prevent the Lender from transferring the TIFIA Loan to another federal agency, government sponsored enterprise or government corporation if such transfer is necessary or desirable under federal law.

In the event that the TIFIA Loan is sold to any person or entity other than to another federal agency, government-sponsored enterprise or government corporation, the Lender shall, at least thirty (30) days prior to the effective date of such sale, confirm in writing to the EDC and the Trustee the Outstanding TIFIA Loan Balance and the Loan Amortization Schedule.

### **Events of Default and Remedies**

An Event of Default shall exist under the TIFIA Loan Agreement: (i) if a default shall occur with respect to the payment of debt service on any indebtedness of EDC or with respect to the performance of any obligation of EDC under the Indenture, but an Event of Default shall not be deemed to be in existence or to be continuing under this clause (i) if such breach is not a payment default and (A) EDC is in good faith contesting the existence of such breach or (B) such breach is remedied within 30 days or receipt of written notice thereof, provided, however, that if it is not possible to correct such breach within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the EDC within such period and diligently pursued until such breach is corrected; or (ii) if EDC shall fail to make a TIFIA Loan repayment, or any portion thereof, when due under the TIFIA Loan Agreement; or (iii) if EDC shall default in any obligation under the TIFIA Loan Agreement or the Indenture which is not cured within the cure periods provided in subsections (i) above or (v) below, as applicable; or (iv) if any of the representations, warranties or certifications of EDC made or delivered in connection with the TIFIA Loan Agreement shall prove to be false or misleading in any material respect; or (v) if EDC fails to comply with the covenants and agreements set forth in the TIFIA Loan Agreement (including any Development Default, but not including any payment default) and such failure continues for a period of 30 days after written notice thereof from the Lender to the EDC; provided, however, that if it is not possible to correct such failure within such 30-day period, it shall not constitute an Event of Default if corrective action is instituted by the EDC within such 30-day period and diligently pursued until such failure is corrected; or (vi) if EDC shall fail to maintain its existence as a public corporation and public instrumentality of the State without making provision for the payment of its outstanding debt including the TIFIA Loan; or (vii) if a Bankruptcy Related Event shall occur; or (viii) the Project shall be abandoned or operation of the Project shall cease.

Pursuant to the Indenture, upon the occurrence of an Event of Default described in Section 801(e) of the Indenture (specifically, a Bankruptcy Related Event), the TIFIA Loan will be deemed to be and will automatically become, as of the date of the Event of Default under Section 801(e) of the Indenture, subject to the provision of Section 812 of the Indenture, a First Lien Obligation for all purposes of the Indenture, and the Lender will be deemed the Secured Owner of a First Lien Obligation under the Indenture.

Whenever any Event of Default under the TIFIA Loan Agreement shall have occurred and be continuing, subject to certain rights of the Bond Insurer under the Indenture, Lender may take whatever action at law or in equity as may appear necessary or desirable to collect the amounts payable by EDC under the TIFIA Loan Agreement, then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of EDC under the TIFIA Loan Agreement, including the termination of the TIFIA Loan.

If (1) RIAC fails to reasonably prosecute the work relating to the Project or (2) RIAC fails to complete the Project in accordance with the construction schedule (as the same may be amended from time to time) provided to the Lender, unless in all such cases RIAC demonstrates to the Lender's reasonable satisfaction that it is proceeding with the construction of the Project with due diligence toward Substantial Completion by the date specified in the construction schedule (as may be amended from time to time) (a "Development Default"), then the Lender may (i) suspend the disbursement of TIFIA Loan proceeds under the TIFIA Loan Agreement, and (ii) pursue such other remedies as provided under "Events of Default and Remedies" above. If so requested in connection with a Development Default, the EDC shall immediately repay any unexpended TIFIA Loan proceeds previously disbursed to the EDC. Notwithstanding the foregoing, if any such Development Default is solely the result of Uncontrollable Force and RIAC (i) presents to the Lender an amended construction schedule within thirty (30) days after written notice of such default which construction schedule if followed would correct the Development Default as soon as reasonably possible and (ii) proceeds with due diligence to correct the condition resulting in such a default in accordance with the amended construction schedule, then such Development Default shall be deemed to have been cured within such thirty (30) days for all purposes described in "Covenants" and "Events of Default and Remedies" above. For the purposes of this section, RIAC shall have the right to amend the construction schedule to extend the date for Substantial Completion for a period of up to sixty (60) days (unless a longer extension is required due to the occurrence of an Uncontrollable Force) within thirty (30) days of receipt of notice of an alleged Development Default; provided that RIAC provides the Lender with (1) a remedial plan with respect to the construction of the Project (a "Remedial Plan") reviewed by the Civil Engineering Consultant and (2) a certificate from the Civil Engineering Consultant concluding that Substantial Completion is likely to occur by the date specified in the Remedial Plan, and the Lender approves the Remedial Plan (such approval not to be unreasonably withheld).

The Lender acknowledges that the provisions of the Indenture provide that there shall be no acceleration of the debt service due on the Senior Lien Bonds or the Subordinate Lien Bonds. The Lender agrees that it will not accelerate the maturity of the TIFIA Loan unless the maturity of the Senior Lien Obligations has been accelerated.

The Lender agrees that the existence of one or more Events of Default by the EDC under the TIFIA Loan Agreement, including a default in the payment of, or the inability of the EDC to pay, any principal or of interest on the TIFIA Loan as it becomes due shall not, by itself, be sufficient to establish that the standard for insolvency set forth in clause (B) of the definition of Bankruptcy Related Event has been met.

Whenever any Event of Default under the TIFIA Loan Agreement shall have occurred and be continuing, Lender may suspend or debar the EDC from further participation in any Government program administered by the Lender and to notify other departments and agencies of such default.

No action taken pursuant to the provisions of this caption shall relieve the EDC from its obligations pursuant to the TIFIA Loan Agreement, all of which shall survive any such action.

**Termination**

The TIFIA Loan Agreement shall terminate upon payment in full by the EDC of the TIFIA Loan, provided, however, that the indemnification requirements and reporting and record keeping requirements of the TIFIA Loan Agreement shall survive the termination of the TIFIA Loan Agreement as provided in the TIFIA Loan Agreement.

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## APPENDIX D

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

The following is a summary of certain provisions of the Amended and Restated Rental Car Company Concession Agreement (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 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 30<sup>th</sup> 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 30<sup>th</sup> 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 (5<sup>th</sup>) 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 (5<sup>th</sup>) 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 '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 business at the Intermodal Facility pursuant to the terms and conditions of the Agreement.

“EDC” means the Rhode Island Economic Development Corporation, a public corporation, governmental agency, and public instrumentality of the State of Rhode Island, and its successors and assigns.

“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) any payments for access to and/or use of the Skywalk System pursuant to the provisions of the Agreement; and (ii) specifically excludes: (a) the Privilege Fees collected pursuant to the Agreement; and (b) deficiency fees pursuant to the Agreement.

“Facility Site” means the site on Jefferson Boulevard, in Warwick, Rhode Island, as outlined on the attached Facility Site Schedule, where the Intermodal Facility will be 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 EDC 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.

“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 (15<sup>th</sup>) 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 (15<sup>th</sup>) 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 attached 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.

“Project Budget” means the project budget attached to the Agreement which lists the estimated costs of the acquisition of the Facility Site and the design and construction of the Intermodal Facility and certain designated equipment relating to the Intermodal Facility.

“Project Timetable” means the project timetable attached to the Agreement which sets forth the project timetable for the design and construction of the Intermodal Facility.

“QTA Area” means the “quick turn around” 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 EDC 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.

“Technical Advisory Committee” means the Technical Advisory Committee established by RIAC pursuant to the Agreement to assist RIAC in the planning process for the design and construction of the Intermodal Facility.

“Tenant Improvement Fund” means the \$12 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 EDC 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 to be entered into between EDC 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.

“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**

Term of the Agreement. The Agreement shall continue in full force and effect until the day immediately preceding the twentieth (20<sup>th</sup>) 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 and the CFC to RIAC for such Airport passenger.

### **Description of the Intermodal Facility**

**General Description.** The Intermodal Facility will be constructed generally in accordance with the Preliminary Plan. RIAC anticipates that the Intermodal Facility will consist of a five-level (exclusive of the ground and mezzanine levels) structure containing approximately 1.5 million square feet. Specifically, the RAC Facilities will include: (i) the QTA Area with nine (9) wash bays, a Fuel System that includes fuel storage, a minimum of thirty-six (36) fueling stations, stacking spaces, break rooms, equipment/staff support areas and storage rooms; (ii) the CSO Area at the terminus of the Skywalk System consisting of approximately 17, 000 square feet; (iii) a minimum of 2,200 rental car spaces configured at 325 square feet per space; 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. The size of the Small RAC Ops Areas will be determined by RIAC during the conceptual design process after receipt of indications of interest from potential Small RACs.

**Skywalk System** (a) **Construction.** The Skywalk System will include 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. RIAC will be responsible, or will cause RIDOT to be responsible, for the planning, procurement, financing, design and construction of the Skywalk System.

(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 (7<sup>th</sup>) anniversary of the DOO, and expiring on the second day immediately preceding the seventeenth (17<sup>th</sup>) 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 pursuant to 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**

(a) 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 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 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.

(b) 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.

(c) 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.

(a) 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.

(b) All interest and other earnings on the Operating and Maintenance Reserve Fund (i), and the Renewal and Replacement Fund (ii) shall remain in such funds to be used and distributed in accordance with the purposes for which such funds are established.

(c) 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 Effective Date, the amount of the CFC is \$3.75. From time to time during the Term, RIAC, in its sole discretion, may determine the amount of the CFC, provided that the amount of the CFC shall not at any time 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 § 1-2-17.1 (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.

Failure of Condition Precedent. In the event that RIAC does not construct or cause RIDOT to construct the Intermodal Facility as a result of the failure of one or more of the conditions precedent set forth in the Agreement, then the Intermodal RACs will continue to collect and pay the CFCs to RIAC pursuant to this Article 6 until they shall have received written notice from RIAC notifying the Intermodal RACs that RIAC and RIDOT have recovered the aggregate amount of any and all of the costs and expenses incurred by RIAC and RIDOT in connection with the planning, design, financing, and construction of the Intermodal Facility. RIAC, in its sole discretion, after consultation with the Intermodal RACs, may reduce the amount of the CFCs collected by the Intermodal RACs and paid to RIAC pursuant to the Agreement, provided, however, that any such reduction shall not limit the aggregate amount which RIAC may recover hereunder for its costs and expenses.

### **Access to the Airport and Intermodal Facility**

Access. 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, or will amend, 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.

Zoning Plan and RAC Market Shares. RIAC, in consultation with the Intermodal RACs, will develop a preliminary "zoning" plan for each area within the RAC Facilities. During the design process of the RAC Facilities, the Intermodal RACs will be provided opportunities to review the preliminary zoning plan and to submit written comments regarding the plan. RIAC will review all comments that are received within such period of time, give due consideration to such comments, and make a final determination on the zoning plan, the results of which will be distributed to the Intermodal RACs. No Intermodal RAC will be relocated unless its RAC Market Share has surpassed or fallen below the RAC Market Share of another Intermodal RAC, and the Intermodal RAC that has increased its RAC Market Share requests the relocation.

### CSO Area.

(b) Zones In coordination with the Intermodal RACs, RIAC shall establish certain zones allocated by RAC Market Shares in the preliminary plan for counter and office operations. The final allocation of counter and office configurations and the location of these areas will be designated by RIAC, 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) Initial Allocation. The initial allocation of space in the Intermodal Facility to the Intermodal RACs will be made approximately nine (9) months prior to the anticipated DOO.

(b) Annual Reallocation. By June 30<sup>th</sup> 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.

(c) 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 after completion of the construction of the Intermodal Facility, 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 30<sup>th</sup> 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.

The Intermodal Facility will open on the DOO, provided the Fuel System is operational. Neither the DOO nor the opening of the Intermodal Facility will be delayed, however, due to the failure of the Intermodal RACs to reach decisions regarding the Fuel System under the Participation Agreement by a Majority-in-Interest. RIAC will cooperate with the Intermodal RACs, at their sole expense, in any litigation arising out of the construction of the Fuel System. RIAC will make available the proceeds of the Tenant Improvement Fund, to the extent necessary, to pay for the design and construction of the Fuel System. Funds required in excess of such proceeds will be the responsibility of the Intermodal RACs, and will be paid pursuant to the terms of the Participation Agreement. The Intermodal RACs will hire a qualified third party-manager to carry out the obligations of the Intermodal RACs. The manager will be responsible for all distribution of costs based upon the mutually agreed allocation among Intermodal RACs. Each Intermodal RAC will operate and maintain its fueling stations and will provide regular monitoring reports as requested by RIAC.

Participation Agreement. The Intermodal RACs will enter into a participation agreement substantially in the form of the Participation Agreement attached to the Agreement, which will specify the rights and responsibilities of the Intermodal RACs in connection with the design, financing, construction, operation, and maintenance of the QTA Area as set forth in Section 9.4

of the Agreement, and will provide, in particular, that the Intermodal RACs will be responsible for the operating and maintenance costs of the QTA Area and each Intermodal RAC's Pro Rata Share of RAC Common QTA Space. The Participation Agreement will also provide that in the event an Intermodal RAC fails to make any payment(s) due under the Participation Agreement to any third-party manager of the QTA Area, such payment(s) will be made from Facility Revenues, and the Intermodal RAC's failure to make such payment(s) will be deemed an Event of Default under the Agreement, and RIAC will have the right to seek recovery of such payment(s) and also 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 hereunder.

### **Design Process**

Design Responsibility. RIAC, in conjunction with RIDOT, will be responsible for the planning, procurement, design, subject to the terms and conditions herein, and construction of the Intermodal Facility. RIAC will proceed with the design and construction of the Intermodal Facility in accordance with the time frames set forth on the Project Timetable.

Consultation with Technical Advisory Committee. Each Intermodal RAC will appoint a representative to be the designated spokesperson on its behalf to the Technical Advisory Committee consisting of all Intermodal RACs to work with RIAC for the planning and the design of the Intermodal Facility as provided in the Agreement. The Technical Advisory Committee will be responsible for meeting with RIAC with respect to design and construction matters. Any change to the configuration of the Intermodal Facility approved by the representative of an Intermodal RAC shall be binding on such Intermodal RAC. The topics the Technical Advisory Committee will address include:

- (i) confirmation of conceptual design:
  - multistory structure
  - train station and bus pick up and drop off area
  - commuter parking on multiple lower floors
  - ready/return and QTA facilities on three upper floors
  - customer service area and Skywalk lobby on upper floor
  - vehicle staging areas on multiple upper floors
  - multiple elevator and escalator banks;
- (ii) establishment of physical design standards;
- (iii) review of all rental car operational aspects of the concept;
- (iv) distinction of project common area work versus exclusive proprietary work;

- (v) agreement on security interface between Massachusetts Bay Transit Authority and rental car operations;
- (vi) establishment of security procedures; and
- (vii) resolution of employee parking issues.

Intermodal Facility Design Review. RIAC will submit the final schematic design for the Intermodal Facility to the Technical Advisory Committee. In the event that a Majority-in-Interest of the Intermodal RACs do not approve any design within ten (10) business days of receipt, then RIAC will make the final decisions regarding such design. In the event that a Majority-in-Interest wish to recommend modifications, they may do so within such ten-day period. To the extent that any such modifications increase the cost of the construction of the Intermodal Facility, then the Intermodal RACs will be responsible for the payment of any such increased costs, in accordance with their respective Pro Rata Shares.

Post-Bid Changes. In the event that the Intermodal RACs wish to request any changes in the design of the Intermodal Facility after the issuance of the Special Facility Revenue Bonds, either prior to or after commencement of construction, and any such modifications increase the cost of the construction of the Intermodal Facility, and RIDOT does not approve such modifications and increased cost, in its sole discretion, then the Intermodal RACs will be responsible for the payment of any such increased costs, in accordance with their respective Intermodal RAC Pro Rata Shares. No such modifications will be implemented by RIAC if, in RIAC's sole discretion, they represent substantial changes and/or alter the functionality of the operation of the Intermodal Facility. RIDOT will be responsible for the payment of any increased costs due to changes made exclusively for the benefit of commuter rail passengers or service. RIDOT will have the right to make any such changes in its sole discretion, provided, however, that no changes will be made if they would adversely alter the functionality of the operation of the Intermodal Facility.

### **Conditions Precedent**

Conditions Precedent to RIAC's Performance. The construction of the Intermodal Facility by RIAC and the performance of its obligations thereunder are contingent upon the satisfaction of the following conditions:

- (i) RIDOT and RIAC shall have entered into an agreement, satisfactory to each of them in its sole discretion, pursuant to which RIDOT will convey, or lease pursuant to a ground lease with a minimum term of thirty (30) years, the Facility Site to RIAC;
- (ii) EDC shall have issued the Special Facility Revenue Bonds at rates of interest satisfactory to RIAC in its sole discretion;

- (iii) RIAC shall have obtained the TIFIA Loan;
- (iv) RIAC shall have received assurances from RIDOT, satisfactory to RIAC, that Grants are available for the design and construction of the Intermodal Facility;
- (v) RIDOT and RIAC shall have entered into an agreement pursuant to which RIDOT will agree to pay for any and all costs and expenses in connection with the acquisition or lease of the Facility Site and the design and construction of the Intermodal Facility, other than tenant improvements, in excess of \$130,553,189;
- (vi) RIAC shall have obtained bond insurance for the Special Facility Revenue Bonds at a premium cost satisfactory to RIAC in its sole discretion;
- (vii) RIDOT and RIAC shall have entered into a satisfactory agreement, each in their sole discretion, with AMTRAK, pursuant to which AMTRAK will grant air rights over its tracks located at the Facility Site as necessary to construct the Intermodal Facility;
- (viii) the City of Warwick shall have acknowledged, in a manner satisfactory to RIAC, that, pursuant to applicable state law, the Intermodal Facility shall be exempt from local property taxes and local land use ordinances and regulations; and
- (ix) each of the Intermodal RACs which is a plaintiff in Affordable Auto Rental, Inc., et al v. Rhode Island Economic Development, et al, C.A. KC-02-1012, pending in the State of Rhode Island and Providence Plantations Superior Court in Kent County, shall have executed and filed a Dismissal Stipulation dismissing such case with prejudice.

Conditions Precedent to Company's Performance. The performance by Company of its obligations thereunder are contingent upon the satisfaction of the following conditions:

- (i) the design of the Fuel System and the QTA shall have been approved by the State Fire Marshal and/or the Rhode Island Fire Safety Code Board of Appeal and Review;
- (ii) that certain Pilgrim Partnership Agreement II dated July 7, 1995, between Massachusetts Bay Transportation Authority and the State of Rhode Island, acting by and through its Department of Transportation, as amended by that certain Amendment No. One, dated May 8, 1998, and amended further by that certain Letter Agreement dated March 15, 2001,

and amended further by that certain Amendment No. 2, dated May 7, 2003, and amended further by that certain Amendment No. 3 dated November 10, 2004, pursuant to which Massachusetts Bay Transportation Authority has agreed to provide commuter rail service between Warwick, Rhode Island, and Boston, Massachusetts, will be in full force and effect; and

- (iii) all of the conditions precedent to RIAC's obligations as set forth in Section 11.1 shall have been fulfilled.

### **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 (10%) 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 are 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 30<sup>th</sup> 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 30<sup>th</sup> 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 30<sup>th</sup> 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;
- (vi) 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
- (vii) 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 30<sup>th</sup> 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.

(a) 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.

(b) Environmental Laws.

(i) 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.

(ii) 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 receivables for the benefit of creditors;
- (iv) 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;
- (v) 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;

- (vi) 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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CIFG Assurance North America, Inc.
825 Third Avenue, Sixth Floor
New York, NY 10022
For information, contact (212) 909-3939
Toll-free (866) 243-4212

FINANCIAL GUARANTY INSURANCE POLICY

ISSUER: \_\_\_\_\_

Policy No.: CIFG NA-##

CUSIP: \_\_\_\_\_

Effective Date: \_\_\_\_\_, 200\_

OBLIGATIONS: \_\_\_\_\_

CIFG ASSURANCE NORTH AMERICA, INC. ("CIFG NA"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY GUARANTEES to each Policyholder, subject only to the terms and conditions of this Policy (which includes each endorsement hereto), the full and complete payment by or on behalf of the Issuer of Regular Payments of principal of and interest on the Obligations.

For the further protection of each Policyholder, CIFG NA irrevocably and unconditionally guarantees:

(1) payment of any amount required to be paid under this Policy by CIFG NA following CIFG NA's receipt of notice and instruments of assignment as described in Endorsement No. 1 hereto and

(2) payment of the amount of any distribution of principal of and interest on the Obligations made during the Term of this Policy to such Policyholder that is subsequently avoided in whole or in part as a preference payment under applicable law, all as described in Endorsement No. 1 hereto.

CIFG NA shall be subrogated to the rights of each Policyholder to receive payments under the Obligations to the extent of any payment by CIFG NA hereunder.

The following terms shall have the meanings specified below, subject to and including any modifications set forth in any endorsement hereto, for all purposes of this Policy. "Effective Date," "Issuer" and "Obligations" mean, respectively, the Effective Date, Issuer and Obligations referenced above. "Policyholder" means, if the Obligations are in book-entry form, the registered owner of any Obligation as indicated on the registration books maintained by or on behalf of the Issuer for such purpose or, if the Obligations are in bearer form, the holder of any Obligation; provided, however, that any trustee acting on behalf of and for the benefit of such registered owner or holder shall be deemed to be the Policyholder to the extent of such trustee's authority. "Regular Payments" means payments of interest and principal which are agreed to be made during the Term of this Policy in accordance with the original terms of the Obligations when issued and without regard to any amendment or modification of such Obligations thereafter; payments which become due on an accelerated basis as a result of (a) a default by the Issuer or any other person, (b) an election by the Issuer to pay principal or other amounts on an accelerated basis or (c) any other cause, shall not constitute "Regular Payments" unless CIFG NA shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration. "Term of this Policy" has the meaning set forth in Endorsement No. 1 hereto.

This Policy sets forth in full the undertaking of CIFG NA, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto or to the Obligations (except a contemporaneous or subsequent agreement or instrument given by CIFG NA or to which CIFG NA has given its written consent) or by the merger, consolidation or dissolution of the Issuer. The premiums paid in respect of this Policy are nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Obligations prior to maturity. This Policy may not be cancelled or revoked during the Term of this Policy, including for nonpayment of premium due to CIFG NA. Payments under this Policy may not be accelerated except at the sole option of CIFG NA.

In witness whereof, CIFG ASSURANCE NORTH AMERICA, INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

CIFG ASSURANCE NORTH AMERICA, INC.

By \_\_\_\_\_
Authorized Officer

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APPENDIX F

FORM OF OPINION OF BOND COUNSEL

June 28, 2006

Rhode Island Economic Development Corporation  
One West Exchange Street  
Providence, Rhode Island 02903

Re: \$48,765,000 Rhode Island Economic Development Corporation  
First Lien Special Facility Revenue Bonds  
(Rhode Island Airport Corporation Intermodal Facility Project) Series 2006

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by the Rhode Island Economic Development Corporation (the "Issuer") of the \$48,765,000 First Lien Special Facility Revenue Bonds (Rhode Island Airport Corporation Intermodal Facility Project) Series 2006 (the "Bonds").

The Bonds are being issued under and pursuant to the Rhode Island Economic Development Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"), an Indenture of Trust (the "Indenture") dated as of June 1, 2006 among the Issuer, the Rhode Island Airport Corporation, a public corporation organized as a subsidiary of Issuer ("RIAC"), and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be loaned by the Issuer to RIAC pursuant to a Loan Agreement between the Issuer and RIAC dated as of June 1, 2006 (the "EDC Loan Agreement"). Under the EDC Loan Agreement, RIAC has agreed to make payments to be used to pay the principal of, premium if any, and interest on the Bonds.

As bond counsel, we have examined a record of proceedings relating to the issuance of the Bonds, the Act, the Internal Revenue Code of 1986 (the "Code"), the Indenture, the EDC Loan Agreement, the resolutions of the Issuer approving the issuance of the Bonds, and such other papers and documents as we have deemed necessary in connection with this opinion.

The Bonds are being issued on the date hereof in the principal amount of \$48,765,000 registered in the name of Cede & Co. The Bonds have the stated maturities, are subject to redemption prior to stated maturity and bear interest as set forth in the Indenture. We have examined Bond No. R-1 as executed and authenticated, and we are of the opinion that the form of such Bond and the form of its execution and authentication are regular and proper.

For purposes of this opinion, we have assumed that each of the parties to the Indenture (other than the Issuer) has all requisite power and authority and has taken all necessary governmental or corporate action to execute and deliver the Indenture and to effect the transactions contemplated thereby. In rendering our opinion in paragraph 6 below, we have assumed that the information and certificates required by the Indenture to be contained in the requisitions to be submitted by the Issuer in order to withdraw moneys from the Series 2006 Project Account in the Construction Fund established by the Indenture will be complete and correct in all material respects. We have also relied upon certain covenants of the Issuer and RIAC, and upon certifications and representations of fact made by the Issuer and RIAC, and on certified proceedings and other certifications of public officials and others made to us, in each case without undertaking to verify the same by independent investigation.

We express no opinion as to laws other than the laws of the State of Rhode Island and Providence Plantations (the "State") and the federal laws of the United States of America.

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

1. The Issuer is a duly created and validly existing public body corporate and agency of the State with the corporate power to enter into and perform its obligations under the EDC Loan Agreement and the Indenture and to issue the Bonds.
2. The Bonds have been duly authorized, executed and issued for the purpose of providing funds for the acquisition, construction, installation and equipping of the Intermodal Facility (as defined in the Indenture) at the T.F. Green State Airport.
3. Each of the Indenture and the EDC Loan Agreement has been duly authorized, executed and delivered on behalf of the Issuer. Each of the Indenture and the EDC Loan Agreement is a valid, legally binding, limited obligation of the Issuer, and is enforceable against the Issuer in accordance with its terms subject to the qualifications that enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, moratorium and similar laws of general application affecting the rights and remedies of creditors and secured parties, and that the availability of the remedy of specific performance, injunctive relief or other equitable relief is subject to the discretion of the court before which any proceeding therefor may be brought.
4. The Bonds, executed and authenticated as above indicated, have been delivered against payment of the agreed-upon consideration therefor and are valid, legally binding, limited obligations of the Issuer, enforceable against the Issuer in accordance with their terms, subject to the qualifications that enforcement of the rights and remedies created thereby is subject to

bankruptcy, insolvency, reorganization, moratorium and similar laws of general application affecting the rights and remedies of creditors and secured parties, and that the availability of the remedy of specific performance, injunctive relief or other equitable relief is subject to the discretion of the court before which any proceeding therefore may be brought. The Bonds are entitled to the benefits of the Indenture.

5. The principal of and premium, if any, and interest on the Bonds are payable from and secured by a security interest in all right, title and interest of the Issuer in and to the Trust Estate (as that term is defined in the Indenture). The Bonds do not constitute a general debt or liability, or a pledge of the faith and credit, of the Issuer or the State or any political subdivision thereof.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations.

7. Under existing law, except for estate, inheritance and gift taxes, the Bonds and income derived therefrom (including gain on sale or exchange) are exempt from State taxes, although the Bonds and the interest thereon may be included in the measure of certain State business and corporate taxes.

The opinions set forth in paragraphs 6 and 7 are subject to the condition that Issuer and RIAC comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including without limitation requirements relating to the use and expenditure of proceeds of the Bonds, the investment thereof and the rebate of certain earnings thereon to the United States government. The Issuer and RIAC have covenanted to comply with each such requirement. Failure to comply with certain other requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date hereof. We express no opinion regarding other federal tax consequences with respect to the Bonds.

This opinion is being given as of its date based upon the facts and assumptions set forth herein and upon existing law and interpretations thereof in effect on the date hereof. No assurance can be given that there will not be subsequent changes in such facts and assumptions, or in such law and interpretations thereof, which may affect the conclusions set

Rhode Island Economic Development Corporation  
June 28, 2006  
Page 4

forth herein, and we assume no obligation to supplement, amend or update this opinion in the event of such changes.

Very truly yours,

BURNS & LEVINSON LLP

By \_\_\_\_\_  
A partner



