

NEW ISSUE--FULL BOOK ENTRY

Ratings: See "RATINGS" herein.

*In the opinion of Mack Law Associates LLC, Bond Counsel, based upon an analysis of existing law and assuming, among other matters, compliance with certain covenants, (i) interest on the Rhode Island Commerce Corporation, \$36,885,000 Airport Revenue Bonds, Series 2016 D Bonds (the "2016 Series D Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2016 Series D Bond for any period during which the 2016 Series D Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2016 Series D Bonds or a "related person," (ii) interest on the 2016 Series D Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. Under existing law, interest on the 2016 Series D Bonds and the Rhode Island Commerce Corporation, \$3,445,000 Airport Revenue Bonds, Series 2016 E (Federally Taxable) (the "2016 Series E Bonds" and collectively with the 2016 Series D Bonds, the "2016 Series D/E Bonds") any profit on the sale of the 2016 Series D/E Bonds are exempt from taxation by the State of Rhode Island (the "State") or any political subdivision or other instrumentality of the State, although the income thereon may be included in the measure of Rhode Island estate taxes and certain Rhode Island corporate and business taxes. (See "TAX MATTERS" and APPENDIX D - "Form of Opinion of Bond Counsel"). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the 2016 Series D/E Bonds.*

### **\$40,330,000 RHODE ISLAND COMMERCE CORPORATION**

(formerly known as the Rhode Island Economic Development Corporation)

**\$36,885,000 Airport Revenue Bonds, 2016 Series D (Non-AMT)**

**\$3,445,000 Airport Revenue Bonds, 2016 Series E (Federally Taxable)**



**Dated: Date of Delivery**

**Due: July 1, as shown on the inside cover**

The 2016 Series D/E Bonds are being issued by the Rhode Island Commerce Corporation (the "Corporation"), formerly known as the Rhode Island Economic Development Corporation to provide funds to the Corporation which will loan the funds to the Rhode Island Airport Corporation ("RIAC") to (i) finance certain capital improvements, property acquisition, and modification, replacement, and/or acquisition of federal aviation and related equipment at the T.F Green Airport and the Quonset Airport; (ii) fund amounts required for the 2016 Series D/E Bonds Debt Service Reserve Requirement; (iii) fund capitalized interest on the 2016 Series D Bonds; and (iv) to pay costs of issuance related to the authorization, sale and issuance of the 2016 Series D/E Bonds. (See "THE 2016 PROJECT").

The 2016 Series D/E Bonds are being issued as fully registered Bonds in denominations of \$5,000 or any integral multiple thereof pursuant to the provisions of a Master Indenture of Trust, dated as of October 1, 1993, as amended (the "Master Indenture"), as supplemented by the Thirteenth Supplemental Indenture, among the Corporation, RIAC and U.S. Bank National Association, Boston, Massachusetts, as trustee (the "Trustee"). Interest on the 2016 Series D/E Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2017 (each, an "Interest Payment Date"). The 2016 Series D/E Bonds will initially be registered in the name of Cede & Co. as registered owner and nominee for the Depository Trust Company, New York, New York ("DTC"). Purchasers of the 2016 Series D/E Bonds (the "Beneficial Owners") will not receive physical delivery of the 2016 Series D/E Bonds. As long as Cede & Co. is the registered owner as nominee of DTC, payment of the principal of and interest on the 2016 Series D/E Bonds will be made directly to such registered owner which will in turn remit such payments to DTC Participants and Indirect Participants for subsequent disbursement to the Beneficial Owners. The 2016 Series D/E Bonds are subject to redemption prior to maturity as more fully described herein.

The 2016 Series D/E Bonds will be payable from and secured by a pledge of the Trust Estate (as defined herein), consisting primarily of Net Revenues derived from the operation by RIAC of the Airport and certain General Aviation Airports, on a parity generally with the pledge securing approximately \$36,360,000 currently outstanding principal amount of the Corporation's Airport Revenue Bonds, 2008 Series A, B and C, \$32,427,000 currently outstanding principal amount of the Corporation's Airport Revenue Bonds, 2013 Series A, \$30,700,000 currently outstanding principal amount of the Corporation's Airport Revenue Refunding Bonds, 2013 Series B, \$42,345,000 currently outstanding principal amount of the Corporation's Direct Placement Airport Revenue Refunding Bonds, 2015 Series A, and \$83,832,075 as of 6/16/16 currently outstanding principal amount of the Corporation's Direct Placement Airport Revenue Refunding Bonds, 2016 Series A/B/C outstanding under the Master Indenture (collectively, the "Prior Bonds"). Certain of the Prior Bonds and 2016 Series D are also secured by a pledge of PFC Revenues. See "Security and Source of Payment of the 2016 Series D/E Bonds" herein.

THE 2016 SERIES D/E BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF RHODE ISLAND OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL AND LIMITED OBLIGATION OF THE CORPORATION) AND NEITHER THE FAITH AND CREDIT NOR TAKING OR THE TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016 SERIES D/E BONDS OR THE INTEREST THEREON. THE CORPORATION HAS NO TAXING POWER.

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

*The 2016 Series D/E Bonds are offered for delivery when, as and if issued and received by the Underwriter, subject to the approval of legality by Mack Law Associates LLC, Providence, Rhode Island, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its counsel, Shechtman Halperin Savage, LLP, Pawtucket, Rhode Island; for RIAC by its General Counsel; and for the Underwriter by its counsel Harrington & Vitale, Ltd., Providence, Rhode Island. It is expected that the 2016 Series D/E Bonds will be available for delivery through DTC in New York, New York on or about July 1, 2016.*

This cover page is not intended to be a summary of the terms or security provisions of the 2016 Series D/E Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

**RAYMOND JAMES**

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS  
**\$40,330,000**

Rhode Island Commerce Corporation  
 Airport Revenue Bonds, 2016 Series D (Non-AMT)  
 and Airport Revenue Bonds, 2016 Series E (Federally Taxable)

**\$36,885,000 Airport Revenue Bonds, 2016 Series D (Non-AMT)**

Serial Bonds

Maturity (July 1)	Amount	Interest Rate	Price or Yield	CUSIP <sup>^</sup>
2026	\$1,035,000	5.00%	2.23%	76218NAA5
2027	1,085,000	5.00	2.37*	76218NAB3
2028	1,140,000	5.00	2.44*	76218NAC1
2029	1,195,000	5.00	2.49*	76218NAD9
2030	1,255,000	5.00	2.55*	76218NAE7
2031	1,320,000	5.00	2.61*	76218NAF4
2032	1,385,000	5.00	2.65*	76218NAG2
2033	1,455,000	5.00	2.69*	76218NAH0
2034	1,525,000	5.00	2.74*	76218NAJ6
2035	1,600,000	5.00	2.78*	76218NAK3
2036	1,680,000	5.00	2.81*	76218NAL1
2037	1,765,000	5.00	2.82*	76218NAM9

Term Bonds

\$7,990,000 5.00% Term Bonds due July 1, 2041, yield 2.83%\*, CUSIP 76218NAN7  
 \$12,455,000 5.00% Term Bonds due July 1, 2046, yield 2.88%\*, CUSIP 76218NAP2

\* Priced at the stated yield to the July 1, 2026 redemption date at a redemption price of 100%

**\$3,445,000 Airport Revenue Bonds, 2016 Series E (Federally Taxable)**

Serial Bonds

Maturity (July 1)	Amount	Interest Rate	Price or Yield	CUSIP <sup>^</sup>
2017	\$660,000	1.95%	1.95%	76218NAQ0
2018	670,000	2.20	2.20	76218NAR8
2019	685,000	2.45	2.45	76218NAS6
2020	705,000	2.65	2.65	76218NAT4
2021	725,000	2.75	2.75	76218NAU1

The 2016 Series E Bonds are subject to optional redemption at a price of 100% on July 1, 2018

<sup>^</sup>The CUSIP Numbers have been assigned by an independent company not affiliated with the Corporation or RIAC and are included solely for the convenience of the holders of the 2016 Series D/E Bonds. None of the Underwriter, the Corporation or RIAC is responsible for the selection or uses of the CUSIP numbers, and no representation is made as to their correctness on the 2016 Series D/E Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2016 Series D/E Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2016 Series D/E Bonds.

**RHODE ISLAND COMMERCE CORPORATION**  
**(formerly known as the RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION)**

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**Airport Consultant**

LeighFisher, Burlingame, California

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NO DEALER, BROKER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED BY THE CORPORATION OR RIAC TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE CORPORATION OR RIAC OR BY PUBLIC FINANCIAL MANAGEMENT, INC., FINANCIAL ADVISOR TO RIAC. THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE CORPORATION OR RIAC AND THE OWNERS OR ANY BENEFICIAL OWNERS OF ANY OF THE 2016 SERIES D/E BONDS. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATIONS THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF RIAC SINCE THE DATE HEREOF.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF ANY OF THE 2016 SERIES D/E BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT QUALIFIED, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

UPON ISSUANCE, THE 2016 SERIES D/E BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OF THIS OFFICIAL STATEMENT OR, EXCEPT FOR RIAC AND THE CORPORATION, APPROVED THE 2016 SERIES D/E BONDS FOR SALE.

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

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

IN CONNECTION WITH THE OFFERING OF THE 2016 SERIES D/E BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, WITHOUT PRIOR NOTICE.

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

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**OFFICIAL STATEMENT**  
**Relating to**  
**\$40,330,000**  
**RHODE ISLAND COMMERCE CORPORATION**  
**\$36,885,000 AIRPORT REVENUE BONDS, 2016 SERIES D (Non-AMT)**  
**\$3,445,000 AIRPORT REVENUE BONDS, 2016 SERIES E (Federally Taxable)**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page, inside cover page and Appendices hereto, is to furnish information concerning the Rhode Island Commerce Corporation (the "the Corporation"), formerly known as the Rhode Island Economic Development Corporation, the Rhode Island Airport Corporation ("RIAC"), T.F. Green Airport, Warwick, Rhode Island (the "Airport"), as well as five general aviation airports in the State of Rhode Island and Providence Plantations (the "State") used primarily for private or military aircraft (the "General Aviation Airports" and collectively with the Airport, the "Airports", as more fully described herein), and certain other information in connection with the sale by the Corporation of its \$36,885,000 Airport Revenue Bonds, 2016 Series D (Non-AMT) (the "2016 Series D Bonds") and \$3,445,000 Airport Revenue Bonds, 2016 Series E (Federally Taxable) (the "2016 Series E Bonds," and collectively with the 2016 Series D Bonds, the "2016 Series D/E Bonds"). All capitalized terms used herein and not otherwise defined shall have the meanings set forth in APPENDIX C.

The 2016 Series D/E Bonds will be issued pursuant to the Rhode Island Commerce Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"), and a Master Indenture of Trust, dated as of October 1, 1993, as amended (the "Master Indenture") by and among the Corporation, RIAC and U.S. Bank National Association, Boston, Massachusetts, as trustee (the "Trustee"), and a Thirteenth Supplemental Indenture of Trust dated as of July 1, 2016 (the "Thirteenth Supplemental Indenture"). The 2016 Series D/E Bonds are to be issued and secured by a pledge of the Trust Estate consisting primarily of Net Revenues from the operation by RIAC of the Airports, on a parity generally with the pledge securing the Corporation's \$51,165,000 Airport Revenue Bonds 2008 Series A, B and C (collectively, the "2008 Bonds") currently outstanding in the principal amount of \$36,360,000 under the Master Indenture and an Eighth Supplemental Indenture dated as of June 1, 2008, the Corporation's \$33,500,000 Airport Revenue Bonds 2013 Series A (the "2013 Series A Bonds") currently outstanding in the principal amount of \$32,427,000 under the Master Indenture and the Ninth Supplemental Indenture dated as of June 6, 2013, the Corporation's \$32,755,000 Airport Revenue Refunding Bonds 2013 Series B (the "2013 Series B Bonds") currently outstanding in the principal amount of \$30,700,000 under the Master Indenture and the Tenth Supplemental Indenture dated as of November 19, 2013, the Corporation's \$42,980,000 Direct Placement Airport Revenue Refunding Bonds 2015 Series A (the "2015 Series A Bonds") currently outstanding in the principal amount of \$42,345,000 under the Master Indenture and the Eleventh Supplemental Indenture dated as of March 23, 2015, and the Corporation's Direct Placement \$85,560,000 Airport Revenue Refunding Bonds 2016 Series A/B/C (the "2016 Series A/B/C Bonds") currently outstanding in the principal amount of \$83,832,075 as of June 16, 2016 under the Master Indenture and the Twelfth Supplemental Indenture dated as of January 14, 2016. See "SECURITY AND SOURCE OF PAYMENT OF THE 2016 SERIES D/E BONDS." The 2008 Bonds, the 2013 Series A Bonds, the 2013 Series B Bonds, the 2015 Series A Bonds, the 2016 Series A/B/C Bonds (collectively, the "Prior Bonds"), the 2016 Series D/E Bonds and any additional bonds issued under the Indenture on a parity therewith ("Additional Bonds") are herein collectively referred to as the "Bonds."

A portion of the debt service of the Series 2015 A Bonds, and the Series 2016 C Bonds are also secured by a pledge of certain PFC Revenues. A portion of the debt service of the 2016 Series D Bonds will be secured by a pledge of certain PFC Revenues. RIAC previously received approval from the Federal Aviation Administration ("FAA") for authority to impose and use a Passenger Facility Charge ("PFC") to pay all or a portion of the costs of certain elements of Airport projects. See "PASSENGER FACILITY CHARGES."

RIAC is a public corporation organized in December 1992 as a subsidiary of the Corporation for the purpose of assuming operating responsibility for the Airports and undertaking certain capital improvements relating to the Airports. The Airports are owned by the State and prior to July 1, 1993 were managed by its Department of Transportation, Division of Airports ("RIDOT"). In order to provide for the transfer of operating responsibility for the Airports effective as of July 1, 1993, RIAC and the State entered into a Lease and Operating Agreement, dated as

of June 25, 1993, as amended by a Seventh Amendment to the Lease and Operating Agreement dated as of May 10, 2016 (as amended, the "State Lease Agreement"). See "RHODE ISLAND AIRPORT CORPORATION - The State Lease Agreement." The State Lease Agreement is currently set to terminate on July 1, 2046. T.F. Green Airport located in Warwick, Rhode Island, is the principal airport operated by RIAC and served 1,776,424 enplaned passengers in Fiscal Year ending June 30, 2015.

### **Summary of the 2016 Project**

The 2016 Series D/E Bonds are the Thirteenth series of Bonds to be issued under the Master Indenture. The proceeds of the 2016 Series D/E Bonds will be loaned by the Corporation to RIAC pursuant to a Loan Agreement, dated as of the date of delivery of the 2016 Series D/E Bonds (the "Loan Agreement").

The proceeds of the 2016 Series D Bonds will be used to fund (A) various airport capital projects including but not limited to: (i) the design, permitting, bidding and construction costs related to the extension of Runway 5 at T.F. Green Airport, including the acquisition of property, the re-alignment of a portion of Main Avenue, Warwick, Rhode Island, the relocation of Winslow Park located in Warwick, Rhode Island, the installation of an EMAS bed, the modification and/or replacement of navigational equipment, the removal of aeronautical obstructions, the demolition of miscellaneous properties, and the acquisition of residences located in the Runway Protection Zone in connection with said extension of Runway 5; (ii) the design, permitting, bidding and construction costs of triturator improvements in conformance with State and Local standards; (iii) professional and engineering services to update the Airport Master Plan and Airport Layout Plans in conformance with Federal Aviation Requirements; and (iv) demolition of various Airport properties and related costs, and (v) engineering, environmental and related professional fees and expenses, construction costs in connection with the demolition of an unused terminal building at Quonset Airport and the construction of new maintenance garage located at Quonset Airport; (B) capitalized interest incurred in connection with the projects described in clause (A) above; (C) costs related to the establishment of reserves for the 2016 Series D Project and the 2016 Series D Bonds, including a debt service reserve fund; and (D) costs related to issuance of the 2016 Series D Bonds. (See "THE 2016 PROJECT")

The proceeds of the 2016 Series E Bonds will be used to fund (A) the acquisition of certain real property located at 2119 Post Road, Warwick, Rhode Island, consisting of approximately 6.5 acres located near T.F. Green Airport and all fixed assets, tangible personal property, inventory, installations, trade fixtures, building equipment, fittings, furniture, office equipment and other improvements located on said property; (B) costs related to the establishment of reserves for the 2016 Series E Project and the 2016 Series E Bonds; and (C) costs related to issuance of the 2016 Series E Bonds. (See "THE 2016 PROJECT")

The 2016 Series D/E Bonds, the Prior Bonds and any Additional Bonds will be payable from, and secured by, (i) payments made by RIAC pursuant to the Loan Agreement, the loan agreements executed in connection with the 2008 Bonds, the Series 2013 A Bonds, the Series 2013 B Bonds, the Series 2015 A Bonds, the Series 2016 A/B/C Bonds and any additional loan agreements, (ii) the Net Revenues of RIAC derived from the use and operation of the Airports and (iii) other amounts as described in the Indenture. A portion of the 2016 Series D Bonds and a portion of the 2015 A Bonds and 2016 C Bonds are payable from, and secured by, Passenger Facility Charges. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2016 SERIES D/E BONDS."

THE 2016 SERIES D/E BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL AND LIMITED OBLIGATION OF THE CORPORATION) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016 SERIES D/E BONDS OR THE INTEREST THEREON. THE CORPORATION HAS NO TAXING POWER.

## **DESCRIPTION OF THE 2016 SERIES D/E BONDS**

### **General**

The 2016 Series D/E Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof, will be dated the date of delivery and will bear interest from that date to their respective maturities as set forth on the inside front cover page hereof, subject to mandatory and optional

redemption prior to maturity as set forth below under "DESCRIPTION OF THE 2016 SERIES D/E BONDS - Redemption Provisions." Interest will be payable semiannually on January 1 and July 1 of each year, commencing on January 1, 2017. Except as otherwise provided below under "DESCRIPTION OF THE 2016 SERIES D/E BONDS - Book-Entry Only System", interest will be payable by check or draft mailed to the registered owners thereof at the address shown on the registration books kept by U.S. Bank National Association (the "Registrar") at the close of business on the fifteenth (15th) day (regardless of whether a Business Day) of the calendar month immediately preceding an interest Payment Date, the date on which the interest is to be paid; provided, however, that payment of the Principal Amount of, Redemption Premium, if any, and interest on the 2016 Series D/E Bonds may, at the option of any registered owner of Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer within the continental United States to such owner to the bank account number on file with the Registrar as of the Regular Record Date. U.S. Bank National Association is also serving as paying agent (the "Paying Agent") and authenticating agent (the "Authenticating Agent") for the 2016 Series D/E Bonds.

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

*This section describes how ownership of the 2016 Series D/E Bonds is to be transferred and how the principal of, premium, if any, and interest on the 2016 Series D/E Bonds are to be paid to and credited by DTC while the 2016 Series D/E Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation, RIAC and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

*The Corporation, RIAC and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the 2016 Series D/E Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 2016 Series D/E Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2016 Series D/E Bonds. The 2016 Series D/E Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the 2016 Series D/E Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of 2016 Series D/E Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2016 Series D/E Bonds on DTC's records. The ownership interest of each actual purchaser of each 2016 Series D/E 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 2016 Series D/E 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 2016 Series D/E Bonds, except in the event that use of the book-entry system for the 2016 Series D/E Bonds is discontinued.

To facilitate subsequent transfers, all 2016 Series D/E 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 2016 Series D/E 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 2016 Series D/E Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2016 Series D/E Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2016 Series D/E Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2016 Series D/E Bonds, such as redemptions, defaults and proposed amendments to the security documents. For example, Beneficial Owners of 2016 Series D/E Bonds may wish to ascertain that the nominee holding the 2016 Series D/E Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2016 Series D/E Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2016 Series D/E Bonds unless authorized by a Direct Participant in accordance with DTC's IMIMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation or RIAC as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2016 Series D/E Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2016 Series D/E Bonds, and redemption proceeds, will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation, RIAC or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the Corporation or RIAC, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be required by an authorized representative of DTC) is the responsibility of the Corporation, RIAC or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2016 Series D/E Bonds at any time by giving reasonable notice to the Corporation, RIAC or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2016 Series D/E Bond certificates are required to be printed and delivered.

The Corporation or RIAC may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2016 Series D/E Bond certificates will be printed and delivered to DTC.

*Use of Certain Terms in Other Sections of this Official Statement.* In reading this Official Statement it should be understood that while the 2016 Series D/E Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the 2016 Series D/E Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners will be given only to DTC.

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

### **Redemption Provisions**

***Optional Redemption.*** The 2016 Series D Bonds maturing on or before July 1, 2026 are not subject to optional redemption prior to maturity. The 2016 Series D Bonds maturing on or after July 1, 2027 shall be subject to redemption at the option of the Corporation upon the direction of RIAC on or after July 1, 2026 from optional prepayments made by RIAC under the Loan Agreement, in whole or in part at any time, at par; plus interest accrued to the date fixed for redemption.

The 2016 Series E Bonds maturing on or before July 1, 2018 are not subject to optional redemption prior to maturity. The 2016 Series E Bonds maturing on or after July 1, 2019 shall be subject to redemption at the option of the Corporation upon the direction of RIAC on or after July 1, 2018 from optional prepayments made by RIAC under the Loan Agreement, in whole or in part at any time, at par; plus interest accrued to the date fixed for redemption.

***Mandatory Sinking Fund Redemption.*** The 2016 Series D Bonds maturing on July 1, 2041 are subject to mandatory redemption in part through sinking fund installments on July 1 of each year, commencing July 1, 2038 at a redemption price equal to 100% of the principal amount thereof together with accrued interest to the redemption date, in the aggregate principal amounts set forth below:

<b><u>Year</u></b>	<b><u>Principal Amount</u></b>
2038	\$1,855,000
2039	1,945,000
2040	2,045,000
2041*	2,145,000

\*Maturity

***Mandatory Sinking Fund Redemption.*** The 2016 Series D Bonds maturing on July 1, 2046 are subject to mandatory redemption in part through sinking fund installments on July 1 of each year, commencing July 1, 2042 at a redemption price equal to 100% of the principal amount thereof together with accrued interest to the redemption date, in the aggregate principal amounts set forth below:

<b><u>Year</u></b>	<b><u>Principal Amount</u></b>
2042	\$2,255,000
2043	2,365,000
2044	2,485,000
2045	2,610,000
2046**	2,740,000

\*\*Final Maturity

***Partial Redemption of Bonds.*** Upon the selection and call for redemption of, and the surrender of, any 2016 Series D/E Bonds for redemption in part only, the Corporation shall cause to be executed and the Authenticating Agent shall authenticate and deliver to or upon the written order of the Holder thereof, at the expense of the Corporation, a new 2016 Series D/E Bond or 2016 Series D/E Bonds of authorized denominations and like tenor, in an aggregate face amount equal to the unredeemed portion of the 2016 Series D/E Bond surrendered.

***Effect of Call for Redemption.*** On the date designated for redemption by notice, the 2016 Series D/E Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such 2016 Series D/E Bonds on such date. If on the date fixed for redemption moneys for payment of the redemption price and accrued interest are held by the Paying Agent, interest on such 2016 Series D/E Bonds so called for redemption shall cease to accrue, such 2016 Series D/E Bonds shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment from moneys held therefor by the Paying Agent and the amount of such 2016 Series D/E Bonds so called for redemption shall be deemed paid and no longer Outstanding.

***Method of Selecting Bonds for Redemption.*** Except when registration of the 2016 Series D/E Bonds is maintained pursuant to a book-entry only system, 2016 Series D/E Bonds shall be selected for redemption as follows: (a) in the event that less than all of the 2016 Series D/E Bonds are to be redeemed, the maturities to be redeemed and the method of their selection shall be determined by the Corporation, and (b) in the event that less than all 2016 Series D/E Bonds of a maturity are to be redeemed, the 2016 Series D/E Bonds of such maturity to be redeemed shall be selected by lot in such customary manner as the Trustee shall determine.

***Notice of Redemption.*** During the period that DTC or Cede & Co. is the registered owner of the 2016 Series D/E Bonds, the Trustee shall not be responsible for mailing notices of redemption to the Beneficial Owners of the 2016 Series D/E Bonds. See "DESCRIPTION OF THE 2016 SERIES D/E BONDS -- Book-Entry Only System."

Each notice of redemption of 2016 Series D/E Bonds shall specify: (a) the date fixed for redemption, (b) the Principal Amount of 2016 Series D/E Bonds or portions thereof to be redeemed, (c) the applicable redemption price, (d) the place or places of payment, (e) that payment of the Principal Amount and Redemption Premium, if any, will be made upon presentation and surrender to the Trustee or Paying Agent, as applicable, of the 2016 Series D/E Bonds to be redeemed, (f) that Interest accrued to the date fixed for redemption will be paid as specified in such notice, (g) that on and after said date Interest on 2016 Series D/E Bonds which have been redeemed will cease to accrue, (h) the designation, including Series, date of issue, and the CUSIP numbers of the 2016 Series D/E Bonds to be redeemed and, if less than the face amount of any 2016 Series D/E Bonds is to be redeemed, the Principal Amount to be redeemed and (i) that the proposed redemption is conditioned on there being on deposit in the Redemption Fund on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed.

Any notice of redemption shall be sent by the Trustee not less than thirty (30) nor more than sixty (60) days prior to the date set for redemption by registered or certified mail to the registered owner of each such 2016 Series D/E Bonds to be redeemed in whole or in part at its address as it appears on the Register. Failure to give any notice with respect to any particular 2016 Series D/E Bond, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other 2016 Series D/E Bond with respect to which no such failure or defect has occurred.

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

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## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds from the proceeds of the 2016 Series D Bonds:

### Sources of Funds

Principal Amount of the 2016 Series D Bonds	\$36,885,000.00
Net Original Issue Premium	\$ <u>7,194,108.26</u>
<u>Total Sources of Funds</u>	\$44,079,108.26

### Uses of Funds

Deposit to the Project Account in the Construction Fund	\$39,098,400.05
Deposit to Capitalized Interest Account in the Construction Fund	\$ 1,753,841.03
Deposit to the 2016 Series D Debt Service Reserve Account in the Debt Service Reserve Fund	\$ 2,633,303.65
Cost of Issuance	\$ <u>593,563.53*</u>
<u>Total Uses of Funds</u>	\$44,079,108.26

The following table sets forth the estimated sources and uses of funds from the proceeds of the 2016 Series E Bonds:

### Sources of Funds

Principal Amount of the 2016 Series E Bonds	\$ <u>3,445,000.00</u>
<u>Total Sources of Funds</u>	\$3,445,000.00

### Uses of Funds

Deposit to the Project Account in the Construction Fund	\$3,100,000.00
Deposit to the 2016 Series E Debt Service Reserve Account in the Debt Service Reserve Fund	\$ 245,946.35
Cost of Issuance	\$ <u>99,053.65*</u>
<u>Total Uses of Funds</u>	\$3,445,000.00

\*Includes Underwriter's Discount

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## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service for the 2016 Series D/E Bonds and for the Prior Bonds:

Bond Year Ending July 1	Outstanding Prior Bond Debt Service <sup>(1)(2)</sup>	2016 D/E Bonds			Total Bond Debt Service
		Principal	Interest	Total	
2017	\$21,744,486	\$660,000	\$1,927,263	\$2,587,263	\$24,331,749
2018	21,747,296	670,000	1,914,393	2,584,393	24,331,688
2019	21,708,131	685,000	1,899,653	2,584,653	24,292,784
2020	21,713,496	705,000	1,882,870	2,587,870	24,301,366
2021	21,714,396	725,000	1,864,188	2,589,188	24,303,583
2022	21,735,729		1,844,250	1,844,250	23,579,979
2023	21,728,270		1,844,250	1,844,250	23,572,520
2024	20,166,073		1,844,250	1,844,250	22,010,323
2025	19,846,252		1,844,250	1,844,250	21,690,502
2026	12,442,067	1,035,000	1,844,250	2,879,250	15,321,317
2027	13,476,498	1,085,000	1,792,500	2,877,500	16,353,998
2028	13,468,262	1,140,000	1,738,250	2,878,250	16,346,512
2029	9,602,969	1,195,000	1,681,250	2,876,250	12,479,219
2030	9,603,526	1,255,000	1,621,500	2,876,500	12,480,026
2031	4,430,999	1,320,000	1,558,750	2,878,750	7,309,749
2032	4,428,895	1,385,000	1,492,750	2,877,750	7,306,645
2033	4,428,563	1,455,000	1,423,500	2,878,500	7,307,063
2034	4,428,605	1,525,000	1,350,750	2,875,750	7,304,355
2035	4,422,934	1,600,000	1,274,500	2,874,500	7,297,434
2036	2,207,575	1,680,000	1,194,500	2,874,500	5,082,075
2037	2,200,025	1,765,000	1,110,500	2,875,500	5,075,525
2038	2,207,850	1,855,000	1,022,250	2,877,250	5,085,100
2039		1,945,000	929,500	2,874,500	2,874,500
2040		2,045,000	832,250	2,877,250	2,877,250
2041		2,145,000	730,000	2,875,000	2,875,000
2042		2,255,000	622,750	2,877,750	2,877,750
2043		2,365,000	510,000	2,875,000	2,875,000
2044		2,485,000	391,750	2,876,750	2,876,750
2045		2,610,000	267,500	2,877,500	2,877,500
2046		2,740,000	137,000	2,877,000	2,877,000
	<b>\$279,452,897</b>	<b>\$40,330,000</b>	<b>\$40,391,365</b>	<b>\$80,721,365</b>	<b>\$360,174,262</b>

(1)Includes Series 2013A loan service fees

(2)Rounded to the nearest dollar

## **Outstanding Indebtedness**

<b>Series of Bonds</b>	<b>Principal Amount Outstanding</b>
2008 Series A (AMT)	\$ 15,695,000
2008 Series B (Non-AMT)	13,895,000
2008 Series C (Non-AMT)	6,770,000
2013 Series A (Non-AMT) <sup>(1) (3)</sup>	32,406,516
2013 Series B (Non-AMT)	30,700,000
2015 Series A (AMT) <sup>(1)</sup>	42,345,000
2016 Series A (AMT) <sup>(1)</sup>	26,649,797
2016 Series B (Non-AMT) <sup>(1)</sup>	26,970,000
2016 Series C (Non-AMT) <sup>(1)</sup>	30,212,278
2016 Series D (Non-AMT) <sup>(2)</sup>	36,885,000
2016 Series E (Federally Taxable) <sup>(2)</sup>	3,445,000
Total Outstanding	\$ 265,973,591

<sup>(1)</sup> Issued as a Direct Placement

<sup>(2)</sup> Principal outstanding as of date of delivery of the 2016 Series D/E Bonds

<sup>(3)</sup> Estimated principal amount, final principal amount will be established once all draws have been completed

## **SECURITY AND SOURCE OF PAYMENT FOR THE 2016 SERIES D/E BONDS**

### **The Indenture**

The principal amount of, redemption premium, if any, and interest on the 2016 Series D/E Bonds will be payable from, and secured by a pledge of the respective interests of the Corporation and RIAC in the "Trust Estate" created under the Indenture. The Trust Estate consists of: (i) "Net Revenues" (as defined in the Indenture); (ii) moneys and investments in various Funds and Accounts pledged under the Indenture, including (a) the 2016 Series D Project Account and the 2016 Series E Project Account in the Construction Fund, the 2016 D/E Debt Service Reserve Accounts in the Debt Service Reserve Fund, and 2016 Series D Capitalized Interest Account in the Construction Fund and (b) with respect to portion of the 2016 Series D Bonds (and the 2015 Series A Bonds and the 2016 Series C Bonds), the Pledged PFC Account; and (iii) the Corporation's interest in the Loan Agreement, including its right to receive Loan Payments from RIAC. The 2016 Series D/E Bonds are special and limited obligations of the Corporation payable solely from, and secured by, a pledge of the respective interests of each of the Corporation and RIAC in the "Trust Estate" created under the Indenture. A portion of the 2016 Series D Bonds are additionally payable from, and secured by, a pledge of the Passenger Facility Charges. (See "Pledge of Net Revenues" below).

THE 2016 SERIES D/E BONDS AND THE INTEREST THEREON DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN A SPECIAL AND LIMITED OBLIGATION OF THE CORPORATION) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE 2016 SERIES D/E BONDS OR THE INTEREST THEREON. THE CORPORATION HAS NO TAXING POWER.

### **The Loan Agreement**

The Loan Agreement constitutes an unconditional obligation of RIAC to repay the Loan from the Corporation in such amounts and at such times as shall be sufficient to pay the principal amount of, redemption premium, if any and interest on the 2016 Series D/E Bonds. Pursuant to the Loan Agreement and the Indenture, RIAC will pledge the Net Revenues (as defined in the Indenture) on a parity lien basis with the pledge contained in the loan agreements relating to any portion of, the 2008 Bonds, the 2013 Series A Bonds, the 2013 Series B Bonds, the 2015 Series A Bonds, the 2016 Series A/B/C Bonds and the 2016 Series D/E Bonds, and, except with respect to

the issuance of Additional Bonds, will covenant not to otherwise encumber the Net Revenues except on a subordinate lien basis. For a description of the covenants of RIAC relating to the Airports and the Net Revenues see "APPENDIX C -- Definitions and Summaries of Certain Provisions of the Principal Documents - Summary of Certain Provisions of the Loan Agreement."

### **Pledge of Net Revenues**

Under the Loan Agreement and the Indenture, RIAC has irrevocably pledged the Net Revenues to the payment of its Loan and the payment of the 2016 Series D/E Bonds on a parity lien basis with its pledge securing the Prior Bonds and Additional Bonds, if any. "Net Revenues" are defined in the Indenture to mean Revenues less amounts needed to pay T.F. Green Operation and Maintenance Expenses (as hereinafter defined).

"Revenues" are defined in the Indenture to mean all income and revenues received or accrued by the Corporation or RIAC in connection with the ownership, operation or use of, or otherwise related to the Airports, including but not limited to (a) rentals, fees, and other charges for the use of or with respect to, the Airports (subject to certain deed restrictions relating to Quonset Airport ("Quonset") which require that Quonset revenues be used first to pay Quonset operation and maintenance expenses), (b) proceeds of business interruption insurance, and (c) such other moneys designated as "Revenues" pursuant to the terms of a Supplemental Indenture; provided, however, that Revenues shall not include (A) interest income on, and any profit realized from, the investment of moneys in any Fund or Account to the extent that such income or profit is not transferred to, or retained in, the Revenue Fund or the Bond Fund; (B) interest income on, and any profit realized from, the investment of moneys in any fund or account funded from the proceeds of Special Facility Bonds; (C) amounts received by the Corporation or RIAC from, or in connection with, Special Facilities, unless such funds are treated as Revenues by the Corporation or RIAC; (D) grants-in-aid, donations, bequests and/or amounts received as reimbursement for previously expended money unless it is specifically designated or RIAC has lawfully elected that such grant, donation, bequest or reimbursement is to be treated as Revenues; (E) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles; (F) the proceeds of any condemnation awards; (G) the proceeds of any sale of land, buildings or equipment; (H) proceeds of a drawing under a Credit Facility; (I) PFC Revenue; (J) Bond proceeds; and (K) any other amounts which are not deemed to be Revenues in accordance with generally accepted accounting principles or which are restricted as to their use.

PFCs are not included in the definition of Revenues. However, PFCs have been pledged to the payment of a portion of the 2016 Series D Bonds, as well as a portion of the debt service on certain of the Prior Bonds. See "Flow of Funds - Passenger Facility Charge Fund and Pledged PFC Series Accounts."

"T.F. Green Operation and Maintenance Expenses" are defined to include all expenses of RIAC paid or accrued for operation, maintenance, administration and ordinary current repairs of the Airport, including certain payments to the State under the Lease Agreement, but does not include debt service, amortization or depreciation allowances, expenses reimbursable from sources other than Revenues, extraordinary items arising from the early extinguishment of debt, General Aviation Airports Operation and Maintenance Expenses or expenses paid from the Repair and Rehabilitation Fund.

### **Airline Agreements**

RIAC established Signatory Airline Agreements with Delta Air Lines, Federal Express Corporation (FedEx), JetBlue Airways, Southwest Airlines, United Airlines, United Parcel Service Co. (UPS) and American Airlines ("Signatory Airlines"). Affiliates of Signatory Airlines operate under the terms and conditions of the Signatory Airline Agreements. Condor Airlines and TACV - Capo Verde Airlines executed Non-Signatory Agreements. Condor Airlines has regularly scheduled seasonal service to Frankfurt, Germany. TACV - Capo Verde Airlines has regularly scheduled year-round service to Praia, Capo Verde. RIAC anticipates executing a Non-Signatory Agreement with SATA International - Azores Airlines in June 2016.

The Signatory Airline Agreements address, among other things: (i) the use of the Airport, (ii) the lease of space in the terminal, and (iii) the establishment of rentals and fees. Amounts to be paid by the Signatory Airlines pursuant to the Signatory Airline Agreements constitute a major source of Revenues to RIAC, and therefore provide a significant source of payment related to the 2016 Series D/E Bonds. See also "THE AIRPORT - Airport System Financial Operations." Airlines that are signatories to the Signatory Airline Agreements are contractually committed to make rental payments for terminal space identified in their respective agreements.

The term of the Signatory Airline Agreement extends through June 30, 2020. A Cost Center Residual Rate Methodology is utilized to establish the Landing Fee and Apron Rental Rates. The Terminal Rental Rate Methodology is Commercial Compensatory. A Majority-in-Interest approval is not required for Capital Improvement Projects. The Signatory Agreement incorporates an Airline Net Revenue Sharing methodology for Signatory Passenger Airlines. Distribution of each Signatory Passenger Airline's portion of the revenue-sharing is based on enplanements. Under this process, RIAC retains the first \$1 million and the Signatory Passenger Airlines share the next \$600,000. If there are remaining funds after the \$1.6 million, the Signatory Airlines share 40% and RIAC retains 60%. Non-Signatory Airlines' landing fees, apron fees and terminal rental rates are 125% of the Signatory Airlines' rates.

RIAC has covenanted in the Indenture that it will not amend or terminate the Airline Agreements in any manner which would impair the ability of RIAC to comply with its Rate Covenant. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2016 SERIES D/E BONDS -- Rate Covenant." For a discussion of the airlines, see "AIRLINES SERVING THE AIRPORT."

For a discussion of parking, concession, general aviation and other non-airline revenues, see "THE AIRPORT - Airport System Financial Operations."

### **Rate Covenant**

Pursuant to the Indenture, RIAC covenants and agrees that it will take all lawful and available measures to fix and adjust from time to time the rentals, rates, fees and other charges for the use of the Airports calculated to be at least sufficient to produce (i) Net Revenues, plus (ii) Pledged PFC Revenue, if any, plus (iii) amounts transferred from the Airport General Purpose Fund to the Revenue Fund, if any, plus (iv) amounts on deposit in any Coverage Account at the beginning of the current Fiscal Year, if any (collectively, "Amounts Available to Pay Debt Service"), to provide for the greater of either:

(A) The amounts needed for making the required deposits in the Fiscal Year of RIAC to the Principal Accounts, the Interest Accounts, the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Indebtedness Fund (to the extent not otherwise paid from other legally available funds of RIAC) and the Repair and Rehabilitation Fund; or

(B) An amount not less than 125% of the aggregate Annual Debt Service with respect to Outstanding Bonds for such Fiscal Year of RIAC.

The Indenture provides that in any such computation there shall be excluded from Net Revenues any capital gain resulting from any sale or revaluation of Permitted Investments.

RIAC also covenants in the Indenture that if, upon the receipt of the audit report for a Fiscal Year of RIAC, Amounts Available to Pay Debt Service are less than the amounts specified in (A) or (B) above, RIAC will take all lawful and available measures to revise the schedule of rentals, rates, fees and charges for the use of the Airports so as to generate Amounts Available to Pay Debt Service sufficient to produce the amounts specified in (A) or (B) above in the Fiscal Year of RIAC following the Fiscal Year of RIAC covered by such audit report.

In the event that Amounts Available to Pay Debt Service for any Fiscal Year of RIAC are less than the amounts specified in (A) or (B) above, but RIAC promptly has taken in the next Fiscal Year of RIAC all available lawful measures to revise the schedule of rentals, rates, fees and charges for the use of the Airports so as to generate amounts required in the preceding paragraph, the Indenture provides that there shall be no Event of Default under the Indenture. Nevertheless, if after taking the measures required above to revise the schedule of rentals, rates, fees and charges for use of the Airports, Amounts Available to Pay Debt Service in such next Fiscal Year of RIAC during which such adjustments are required to be made (as evidenced by the audit report for such Fiscal Year of RIAC) are still less than the amounts specified in (A) or (B) above, such failure shall constitute an Event of Default under the Indenture.

### **Debt Service Reserve Fund**

The Indenture establishes a Debt Service Reserve Fund and provides for the establishment of separate accounts therein pursuant to Supplemental Indentures for each Series of Bonds issued under the Indenture. Amounts in each Series Account in the Debt Service Reserve Fund are to be used to pay debt service on the related Series of

Bonds on the date such debt service is due when insufficient funds for that purpose are available in the Bond Fund; provided, however, that all amounts in an Account in the Debt Service Reserve Fund are to be used, together with other amounts available for such purpose under the Master Indenture as supplemented, to provide for payment of the related Series of Bonds when the aggregate of such amounts is sufficient for such purpose. Amounts in each Account of the Debt Service Reserve Fund will be pledged only to Holders of Bonds of the related Series; provided, however, if so provided in a Supplemental Indenture, upon the issuance of a Series of Refunding Bonds to advance refund a portion of a Series of Outstanding Bonds, amounts in the related Account of the Debt Service Reserve Fund securing the Series of Outstanding Bonds may be pledged both to the Holders of the unrefunded portion of the Series of Outstanding Bonds and the Holders of the Series of Refunding Bonds on a combined basis.

The Thirteenth Supplemental Indenture establishes the 2016 Series D Debt Service Reserve Account and the 2016 Series E Debt Service Reserve Account in the 2016 Series D/E Debt Service Reserve Fund. The Debt Service Reserve Requirement is established at an amount equal to the Maximum Annual Debt Service on the applicable Series of Bonds; provided that in no event shall such amount exceed the lesser of (i) ten percent (10%) of the principal amount, less original issue discount or plus original issue premium, of the applicable Series of Bonds, or (ii) one hundred twenty-five percent (125%) of the average annual principal and interest requirements on the applicable Series of Bonds, or (iii) as otherwise limited by the Internal Revenue Code. "Maximum Annual Debt Service" for any Series of Bonds or any pool of a Series of Bonds means the maximum amount of payments required to be made for principal, interest, sinking fund redemption, reimbursement payments to Credit Providers, Credit Facility fees, remarketing agent fees, Trustee, Paying Agent and other fiduciary fees and payments due under a Swap Agreement, if any, with respect to the unrefunded Bonds of such Series or pool of Series for any Fiscal Year.

In the event that the balance in the applicable Series Debt Service Reserve Account is less than the applicable Series Debt Service Reserve Fund Requirement, amounts in the Revenue Fund are to be deposited in such account in equal monthly installments over a twenty-four (24) month period (in the case of a drawing on such Account) or a six (6) month period (in the case of a shortfall resulting from investment loss or decrease in value of investments) sufficient to restore the balance therein to the applicable Series Debt Service Reserve Fund Requirement, in accordance with the priority of the flow of funds under the Indenture. See "FLOW OF FUNDS - Transfers from Revenue Fund to Certain Funds and Accounts" herein.

The Indenture provides that in lieu of or in addition to cash or investments, at any time the Corporation or RIAC may cause to be deposited to the credit of a Series Debt Service Reserve Account in the Debt Service Reserve Fund, any form of Credit Facility, in the amount of the related Series Debt Service Reserve Fund Requirement as provided for in the appropriate Supplemental Indenture, irrevocably payable to the Trustee as beneficiary for the holders of the related Series of Bonds. The Credit Provider will be required to notify the Corporation, RIAC and the Trustee at least twenty-four (24) months prior to expiration of the Credit Facility. If (A) the Corporation receives such expiration notice and the Credit Provider does not extend its expiration date, (B) the Corporation receives notice of the termination of the Credit Facility or (C) the credit rating of the Credit Provider is no longer in the two highest credit rating categories by two Rating Agencies, the Corporation or RIAC must (x) provide a substitute Credit Facility that meets the requirements set forth in the foregoing sentences, (y) deposit the applicable Series Debt Service Reserve Fund Requirement to the related Series Debt Service Reserve Account in the Debt Service Reserve Fund (1) in equal monthly installments over the next succeeding twelve (12) months, in the case of receipt of an expiration notice, (2) prior to the termination date in the case of receipt of a termination notice, or (3) within 180 days in the case of such reduction in credit rating, or (z) instruct the Trustee to draw on such Credit Facility in the amount of the related Series Debt Service Reserve Fund Requirement (1) twelve (12) months prior to expiration of the Credit Facility in the case of receipt of an expiration notice, (2) prior to the, termination date in the case of receipt of a termination notice, or (3) after 180 days in the case of such reduction in credit rating and deposit the proceeds of such drawing to such Series Debt Service Reserve Account in the Debt Service Reserve Fund.

The Debt Service Fund Requirement associated with the 2016 Series D/E Bonds will be funded on the date of issuance of the 2016 Series D/E Bonds from bond proceeds of the 2016 Series D/E Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

### **Additional Bonds**

With the exception of the Prior Bonds, Additional Bonds or Subordinated Indebtedness, the Corporation and RIAC have covenanted not to issue any other obligations payable from Net Revenues and the Trust Estate or to create any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the 2016 Series D/E Bonds; provided, however, notwithstanding the foregoing, RIAC may incur capitalized lease obligations or other forms of indebtedness secured by purchase money security interests or other liens for the

acquisition of equipment to be used in the ordinary course of business up to an amount in any Fiscal Year of RIAC not exceeding \$50,000, or in a total principal amount which at the time incurred does not, together with the principal amount of all other capitalized leases and purchase money indebtedness then outstanding exceed \$250,000 at any one time. RIAC may nevertheless enter into capital leases that are secured on a subordinate basis. It is anticipated that RIAC will incur approximately \$3,000,000 of capital lease obligations secured by purchase money interest in the equipment to be purchased on or before July 30, 2016.

**General.** Additional Bonds may be issued under the Indenture, so long as the Corporation and RIAC are not in default, as evidenced by a Certificate of No Default executed by an Authorized Representative of each, only for the purpose of: (i) financing all or part of the Cost of an "Airport Facility", as defined in the Act, (ii) refunding, redeeming or providing for the redemption of all or a part of the Outstanding Bonds, certain other debt obligations of the Corporation relating to the Airports or any Subordinated Indebtedness ("Refunding Bonds"), or (iii) completing a project or improvement for which Bonds have been previously issued ("Completion Bonds").

Additional Bonds, other than Completion Bonds or Refunding Bonds, may be issued only upon satisfaction of one of the following conditions:

(i) An Airport Consultant has provided to the Trustee a certificate stating that, based upon reasonable assumptions set forth therein, Amounts Available to Pay Debt Service are projected to be not less than 125% of the aggregate Annual Debt Service with respect to Outstanding Bonds (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of the Additional Bonds proposed to be issued) for each of the next five (5) full Fiscal Years of RIAC following issuance of the Additional Bonds, or each full Fiscal Year of RIAC from issuance of the Additional Bonds through two (2) full Fiscal Years of RIAC following completion of the project or projects financed by the Additional Bonds proposed to be issued, whichever is later; provided, however, that if capitalized interest on any Bonds and proposed Additional Bonds is to be applied in the last Fiscal Year of RIAC of the period described in this sentence, the Airport Consultant shall extend the test through the first full Fiscal Year of RIAC for which there is no longer capitalized interest; or

(ii) an independent certified public accountant has provided to the Trustee a certificate stating that Amounts Available to Pay Debt Service in the most recent completed Fiscal Year of RIAC or any consecutive twelve (12) month period out of the last eighteen (18) months were not less than 125% of (A) Annual Debt Service on Bonds Outstanding in such Fiscal Year of RIAC or such period (disregarding any Bonds that have been paid or discharged or that will be paid or discharged immediately after the issuance of such Additional Bonds proposed to be issued), plus (B) Maximum Annual Debt Service with respect to such Additional Bonds proposed to be issued.

The Corporation may issue Bond Anticipation Notes, secured on parity as to the pledge of Net Revenues with Bonds, provided that the requirements set forth above are met. For such purpose, Bond Anticipation Notes shall be deemed to have level debt service (assuming an interest rate equal to The Bond Buyer 25 Bond Revenue Bond Index most recently published) over the anticipated term of the Bonds to be issued to retire such Bond Anticipation Notes.

**Refunding Bonds.** With respect to Additional Bonds proposed to be issued as Refunding Bonds, such bonds may be issued provided that either the requirements set forth in (i) above are satisfied, or the Corporation shall have provided to the Trustee a certificate with an accompanying schedule indicating that (i) there is no increase in Maximum Annual Debt Service, and (ii) the issuance of the Refunding Bonds will result in a decrease in the total Debt Service payable on all Bonds then Outstanding and being refunded.

**Completion Bonds.** With respect to Additional Bonds proposed to be issued as Completion Bonds in respect of a project or portion thereof, the Additional Bonds test described above need not be met; provided, however, the aggregate Principal Amount of such Completion Bonds shall be limited to fifteen percent (15%) of the amount specified in the Supplemental Indenture in which the initial Series of Bonds issued to finance such project was authorized as the total principal amount of Bonds and Subordinated Indebtedness originally projected to be required to complete the funding of such project (as defined in such Supplemental Indenture). RIAC shall provide a certificate stating the total estimated cost to complete the project and that the proceeds of the Completion Bonds will not be used for costs related to material changes in the scope of such project. The Financial Advisor, in reliance on the certificate, shall provide a certificate stating (i) the anticipated total principal amount of Bonds and Subordinated Indebtedness required to finance the project as set forth in the Supplemental Indenture and the principal amount of Completion Bonds to be issued, and (ii) that the proceeds of the Completion Bonds will provide sufficient funds to complete the project.

## **Other Obligations**

The Corporation may also issue Subordinated Indebtedness and Special Facility Bonds, which are briefly described below.

***Subordinated Indebtedness.*** Under the Indenture, the Corporation may incur Subordinated Indebtedness consisting of bonds or other forms of indebtedness incurred for capital projects which are secured by a lien on Net Revenues and the Trust Estate which is junior and subordinate to the lien securing the Bonds. RIAC has no Subordinated Indebtedness outstanding and does not currently plan to request the Corporation to issue Subordinated Indebtedness.

***Special Facility Bonds.*** Under the Indenture, the Corporation may issue obligations other than Bonds or Subordinated Indebtedness to finance any facility, improvement, structure, equipment or assets acquired or constructed on any land or in or on any structure or building at the Airports, 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 under an agreement by and among the Corporation, RIAC and such obligor. Such obligations will not be secured by a lien on the Net Revenues and the Trust Estate. RIAC has no Special Facility Bonds outstanding under the Indenture and does not currently plan to request the Corporation to issue Special Facility Bonds under the Indenture.

In 2006, RIAC issued \$48.765 million Series 2006 First Lien Special Facility Bonds for the InterLink Project ("2006 Special Facility Bonds") dated June 14, 2006 maturing annually from 2011 through 2036 with interest coupons ranging from 4% to 5%. The 2006 Special Facility Bonds were issued pursuant to an Indenture of Trust dated as of June 1, 2006 by and among the Corporation, RIAC and The Bank of New York Trust Company, N.A., as trustee ("BNY") (the "InterLink Master Indenture") and a First Supplemental Indenture of Trust of even date by and among the Corporation, RIAC and BNY (the "First Supplemental InterLink Indenture," and collectively with the InterLink Master Indenture, the "InterLink Indenture"). The balance outstanding as of June 16, 2016 for the 2006 Special Facility Bonds is \$45.3 million. The principal amount of redemption premium, if any, and interest on the 2006 Special Facility Bonds is payable from and secured by a pledge of the respective interests of the Corporation and RIAC in the InterLink Trust Estate created under the InterLink Indenture.

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

As part of the financing for the InterLink Project, RIAC and the Corporation secured additional funds under the USDOT's TIFIA for the payment of eligible project costs of the InterLink up to \$42 million at an interest rate of 5.26%. This TIFIA Bond is issued pursuant to the First Supplemental InterLink Indenture as a Second Lien Obligation payable from and secured by a pledge of and secondary interest in the InterLink Trust Estate under the InterLink Indenture, subject to the pledge of the InterLink Trust Estate for the security and payment of the 2006 Special Facility Bonds. The 2006 Special Facility Bond is also secured by the Second Lien Debt Service Reserve Fund that was funded from CFCs on the Date of Operational Opening ("DOO") in an amount of \$3,328,407. The balance outstanding as of June 16, 2016 is \$40.1 million.

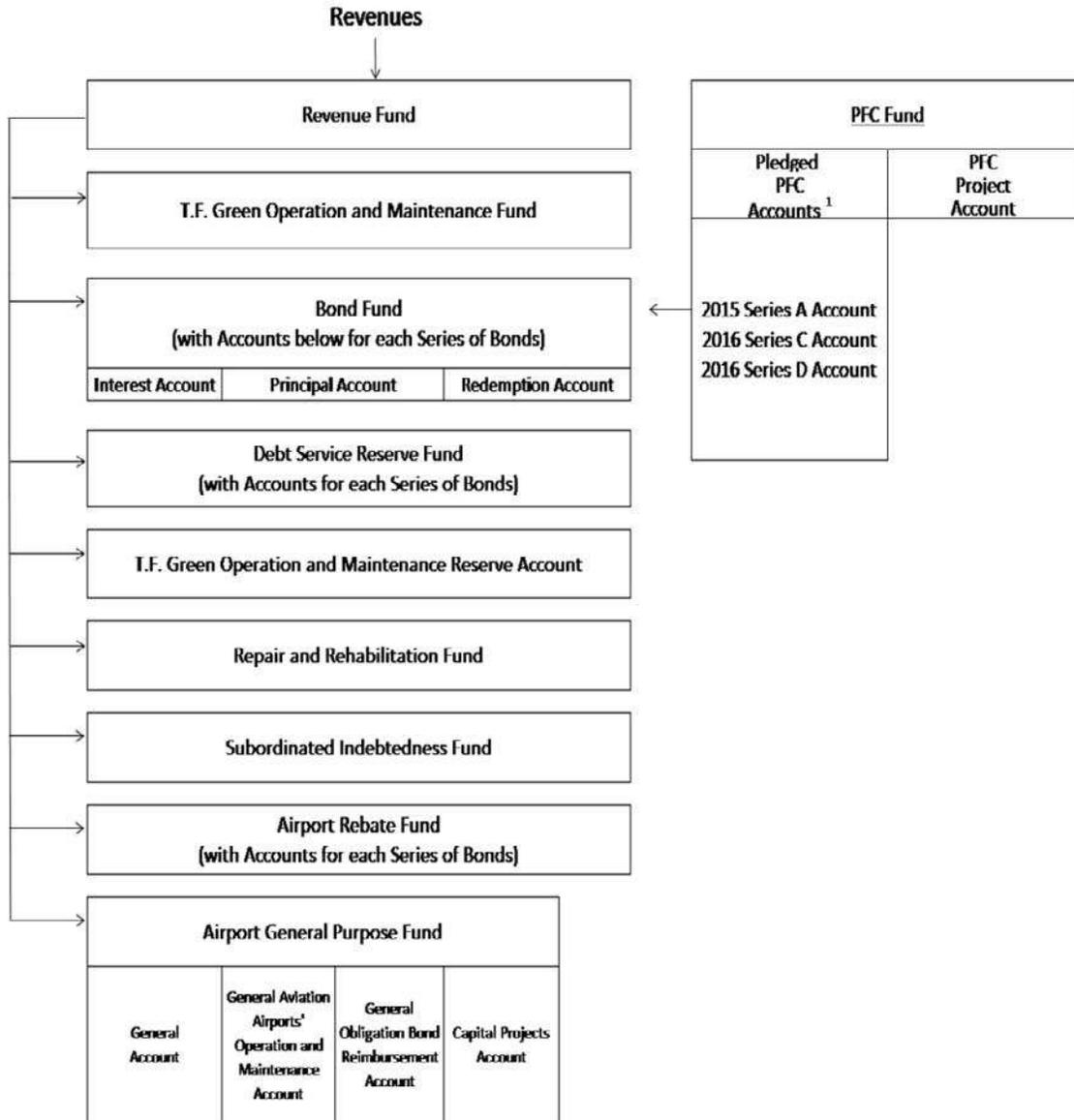
The 2006 Special Facility Bonds and the InterLink Indenture are not secured by any Revenues which secure the 2016 Series D/E Bonds.

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## FLOW OF FUNDS

### General

The following diagram is intended to provide a graphic summary of the flow of funds established under the Indenture in order of priority. All deposits indicated are to be made on a monthly basis, on the first Business Day of each month but no later than the fifth Business Day of each month. A summary of the flow of funds follows the diagram.



<sup>1</sup> Portion of Debt Service on these Series are PFC Eligible

## **Transfers from Revenue Fund to Certain Funds and Accounts**

As provided in the Indenture, RIAC deposits all Revenues upon receipt, and may deposit amounts from any available source, in the Revenue Fund. On the first Business Day of each month, but in no event later than the fifth Business Day of each month, except as otherwise provided below, amounts in the Revenue Fund are to be withdrawn by RIAC and deposited in the following order of priority:

(i) To the T.F. Green Operation and Maintenance Fund, an amount which, along with amounts remaining in the T.F. Green Operation and Maintenance Fund (excluding amounts in the T.F. Green Operation and Maintenance Reserve Account), is needed to pay the T.F. Green Operation and Maintenance Expenses during such month.

(ii) Except as otherwise provided in the applicable Supplemental Indenture, (a) to the applicable Interest Account in the Bond Fund, an amount, which along with amounts transferred from the related Pledged PFC Account, is equal to 1/6th of the next interest payment due after such date with respect to each Series of Bonds; provided, however, that the Corporation and RIAC shall be credited with such amount already on deposit in such Interest Account which has been transferred from a Capitalized Interest Account in the Construction Fund relating to such Series, and provided further the Corporation and RIAC shall be credited on the last deposit of each period with interest earned on such Interest Account, and (b) to the applicable Principal Account or Redemption Account as the case may be in the Bond Fund, an amount, which along with amounts transferred from the related Pledged PFC Account, is equal to 1/12th of the next principal payment or sinking fund payment due after such date with respect to each Series of Bonds and provided further the Corporation and RIAC shall be credited on the last deposit of each period with interest earned on the Principal Account and Redemption Account.

Amounts in the applicable Interest, Principal or Redemption Account in the Bond Fund may be used to reimburse a Credit Provider for amounts paid under a Credit Facility in the same proportion that such Interest, Principal or Redemption Price represents payments made to Holders of all Bonds.

(iii) Except as otherwise provided in the applicable Supplemental Indenture, to the applicable Series Account in the Debt Service Reserve Fund with respect to each Series of Bonds, 1/24th of the amount necessary to restore the amount on deposit therein to the Series Debt Service Reserve Requirement in the case where the deficiency has occurred because the Trustee has drawn upon the Account in the Debt Service Reserve Fund to pay debt service on the related Series of Bonds because there were insufficient moneys in the Bond Fund, or 1/6th of the amount necessary to restore the amount on deposit therein to the Series Debt Service Reserve Requirement in the case where the deficiency has occurred because of a loss in the investment of the moneys in the Debt Service Reserve Fund.

If the deposits set forth in (ii) above are not sufficient to comply with the provisions of the applicable Supplemental Indenture with respect to each Series of Bonds, such deposits shall be made pro rata in accordance with amounts due for each Series of Bonds. Similarly, if deposits set forth in (iii) above are not sufficient to comply with the provisions of the applicable Supplemental Indenture with respect to each Series of Bonds, such deposits shall be made pro rata in accordance with amounts due for each Series of Bonds.

(iv) A deposit shall be made at such time as it is necessary to fund a deficiency in the T.F. Green Operation and Maintenance Reserve Account Requirement, in the case where the deficiency has occurred because RIAC has drawn upon the T.F. Green Operation and Maintenance Reserve Account to pay T.F. Green Operation and Maintenance Expenses, or because the amount budgeted to pay T.F. Green Operation and Maintenance Expenses has increased or exceeded the amount projected. Subsequent deposits to the T.F. Green Operation and Maintenance Reserve Account shall be made in 12 equal monthly installments.

(v) A deposit shall be made at such time as it is necessary to fund a deficiency in the Repair and Rehabilitation Fund Reserve Requirement, in the case where a deficiency has occurred because (a) RIAC has drawn upon the Repair and Rehabilitation Fund or (b) the Repair and Rehabilitation Fund Reserve Requirement has been increased pursuant to the Indenture. Amounts in the Repair and Rehabilitation Fund may be used to pay the costs of emergency repair and rehabilitation to Airport Facilities.

(vi) To the Subordinated Indebtedness Fund, the amount required by any resolution or agreement securing Subordinated Indebtedness, to the extent such amounts are not paid from other legally available funds of RIAC.

(vii) To the Airport Rebate Fund, the amount required by the applicable Supplemental Indenture.

(viii) To the Airport General Purpose Fund all money remaining in the Revenue Fund.

Amounts in the Airport General Purpose Fund shall be available for use by RIAC for any lawful purpose. The Airport General Purpose Fund shall contain a General Account, a Capital Projects Account, an Outlying Airports' Operation and Maintenance Account, a General Obligation Bond Reimbursement Account and such other Accounts as may be created pursuant to a Supplemental Indenture.

The amounts on deposit in the General Account may be used for any lawful purpose including transfer to another account within the Airport General Purpose Fund, as authorized by resolution of RIAC. The amounts on deposit in the Capital Projects Account may be used to pay for the Cost of Airport Facilities to the extent authorized by a resolution of RIAC. The amounts on deposit in the Outlying Airports' Operation and Maintenance Account shall be used to pay Outlying Airports' Operation and Maintenance Expenses. The amounts on deposit in the General Obligation Bond Reimbursement Account, if any, may be transferred to the State upon the written directive of RIAC which shall include instructions to the State that such amount shall be used to pay debt service on any bonds issued by the State for the Airports.

#### **Passenger Facility Charge Fund and Pledged PFC Series Accounts**

The Master Indenture creates and establishes a PFC Fund to be held by RIAC. RIAC is required to deposit PFC Revenue into the PFC Fund as soon as possible upon receipt.

RIAC may create and establish one or more Pledged PFC Series Accounts in the PFC Fund in any Supplemental Indenture. Pledged PFC Revenue shall be deposited into the Pledged PFC Series Account. Any Pledged PFC Series Account created pursuant to the terms of a Supplemental Indenture shall be pledged pursuant to the applicable Supplemental Indenture as additional security for the applicable Series of Bonds.

All PFC Revenue received by RIAC is required to be deposited into the PFC Fund and be disbursed for the purposes permitted under the PFC Act and enumerated in a Supplemental Indenture. If such PFC Revenue is to be used to make a deposit into a Pledged PFC Account, such action shall be taken in a Supplemental Indenture.

Section 401 of the First Supplemental Indenture establishes a Pledged PFC Account in the PFC Fund. PFCs will be pledged to pay a portion of the debt service on the 2016 Series D Bonds.

In addition, PFCs are pledged to the repayment of a portion of the debt service on the Series 2015 Series A and 2016 Series C Bonds. The total FAA approved amount of PFCs to be collected by RIAC is \$261.936 million. Collection of the PFCs began at the Airport on February 1, 1994. The Airport currently collects \$4.50 per enplaned passenger. Fiscal year 2015 PFC revenues were \$7.152 million as compared to \$7.308 million in fiscal year 2014 and \$7.628 million in fiscal year 2013. Approximately \$157.461 million (including interest earned) has been collected as of June 30, 2015. The authority to collect PFCs expires upon the expiration date specified by the FAA, July 1, 2028, or once collections reach the maximum amount approved by the FAA (\$261.936 million), whichever occurs first (see "PASSENGER FACILITY CHARGE").

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## THE RHODE ISLAND COMMERCE CORPORATION

### General

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

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

The 2016 Series D/E Bonds are being issued in full compliance with the Act. The Issuer is authorized to enter into the Trust Indenture to issue the 2016 Series D/E Bonds and to secure the 2016 Series D/E Bonds by a pledge of the Trust Estate.

Certain State laws require information be provided to the General Assembly concerning certain bond issues by the Corporation, including the issuance of the 2016 Series D/E Bonds. The Corporation and RIAC have provided, or prior to the delivery of the 2016 Series D/E Bonds, will have provided all required certifications under such laws for the issuance of the 2016 Series D/E Bonds.

The Corporation Act provides that all of the powers of the Corporation are vested in a Board of Directors consisting of thirteen (13) members. The Governor serves as a member of the Board and as chairperson, ex-officio (who shall vote only in the event of a tie). In addition to the Governor, the membership of the Board consists of twelve (12) public members to be appointed by the Governor, with the advice and consent of the Senate. Accordingly, in addition to the Governor, there are currently twelve (12) public members. Generally, the members serve for four-year terms. The Chairperson designates a Vice Chairperson who serves at the pleasure of the Chairperson. The Secretary of Commerce serves as the Chief Executive Officer of Issuer. 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 Issuer Act.

### Directors and Officers

The Directors and Officers of the Corporation are:

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

Ronald O’Hanley, Mr. O’Hanley serves as Vice Chair of the Board of Directors. His appointment as a member is through February 1, 2017, and he serves until his successor is appointed and qualified. Mr. O’Hanley is the President & Chief Executive Officer of State Street Global Advisors.

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

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

Nancy Carriuolo PhD. Dr. Carriuolo has been appointed as a member of the Board of Directors for a term expiring February 1, 2017 and serves until such time as her successor has been appointed and qualified. Dr. Carriuolo is President of Rhode Island College.

Oscar T. Hebert. Mr. Hebert has been appointed as a member of the Board through February 1, 2018 and serves until his successor is appointed and qualified. Mr. Hebert is Chairperson, President and CEO of Atrion Networking Corporation, in Warwick, Rhode Island, and President of Caribou Realty, LLC.

Mary Jo Kaplan. Ms. Kaplan has been appointed as a member of the Board of Directors for a term expiring February 1, 2019 and serves until such time as her successor has been appointed and qualified. Ms. Kaplan is an executive at Loomio in Providence, Rhode Island.

Jason Kelly. Mr. Kelly has been appointed as a member of the Board through February 1, 2016 and serves until such time as his successor has been appointed and qualified. Mr. Kelly is an Executive Vice President of Moran Shipping Agencies, in Providence, Rhode Island.

Mary Lovejoy. Ms. Lovejoy has been appointed as a member of the Board of Directors for a term expiring February 1, 2016, and serves until such time as her successor has been appointed and qualified. Ms. Lovejoy is an executive at Textron in Providence, Rhode Island.

Michael F. McNally. Mr. McNally has been appointed as a member of the Board of Directors for a term expiring February 1, 2019, and serves until such time as his successor has been appointed and qualified. Mr. McNally is retired.

George Nee. Mr. Nee has been appointed a member of the Board through February 1, 2016 and serves until his successor is appointed and qualified. Mr. Nee is President of Rhode Island AFL-CIO.

Donna Sams. Ms. Sams has been appointed as a member of the Board of Directors for a term expiring February 1, 2017, and serves until such time as her successor has been appointed and qualified. Ms. Sams is the owner of Centered Change, LLC.

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

Other officers and managers of the Corporation are:

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

### **Other Indebtedness**

As of June 30, 2015, the Corporation's total aggregate principal amount outstanding under all conduit debt obligations was \$922,022,795. Certain of the bonds of the Corporation other than the 2016 Series D/E Bonds and the Prior Bonds may be secured, in addition to a pledge of revenues, by a capital reserve fund established by the Corporation. Neither the revenues pledged to secure other the Corporation bonds nor the capital reserve fund established by the Corporation for other the Corporation Bonds secures the 2016 Series D/E Bonds or the Prior Bonds; nor does the Trust Estate under the Indenture secure any other of the Corporation Bonds.

## THE RHODE ISLAND AIRPORT CORPORATION

### General

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

Pursuant to its Articles of Incorporation, the powers of RIAC are vested in its Board of Directors consisting of seven members. The members are appointed by the Governor of the State with the advice and consent of the Senate. Due to a recent legislation update the Governor appointments are in accordance with the following statutory schedule: one director shall be appointed for a term of one year; two directors shall be appointed for a term of two years; three directors shall be appointed for a term of three years; and one director shall be appointed for a term of four years. See R.I. Gen. Laws § 42-64-7.1(h). Appointments made thereafter shall be for four year terms. All Directors serve without compensation but are entitled to reimbursement for necessary expenses incurred in the performance of their duties related to RIAC.

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

### Directors and Officers

Jonathan N. Savage, Esq. Mr. Savage is a founding member of the law firm Shechtman Halperin Savage, LLP. Shechtman Halperin Savage, LLP currently serves as general counsel to the Corporation. Mr. Savage is the current Chairperson of the Board and serves as a Board Member with a term that is through June 1, 2016 and serves until his successor is appointed and qualified.

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

Deborah M. Thomas. Ms. Thomas is the Chief Financial Officer of Hasbro, Inc. Ms. Thomas is the current Treasurer of the Board and serves as a Board Member with a term that is through June 1, 2016 and serves until her successor is appointed and qualified.

Heather P. Tow-Yick. Ms. Tow-Yick is a Vice President with Teach For America working on national initiatives. Prior to this, she served as the Founding Executive Director of Teach for America in Rhode Island. She was previously the Managing Director of Human Assets for Teach for America in New York and a Consultant at the Bridgespan Group. Ms. Tow-Yick is the current Secretary of the Board and serves as a Board Member with a term that is through June 1, 2019 and serves until her successor is appointed and qualified.

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

Gregory A. Pizzuti. Mr. Pizzuti works as Global Director of Cognitive Solutions at IBM for the Media & Entertainment Industry vertical, which includes entertainment venues. He has been at IBM 15 years. Mr. Pizzuti serves as a Board Member with a term through June 1, 2020 and serves until his successor is appointed and qualified.

Michael A. Traficante. Mr. Traficante is the Director of Governmental Affairs for the New England Laborers' Union. Mr. Traficante served as Mayor of the City of Cranston from 1985 through 1999. Mr. Traficante serves as a Board Member with a term that was through June 1, 2015 and serves until his successor is appointed and qualified.

### **Airport Management**

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

Peter A. Frazier Esq. C.M. – Interim President and Chief Executive Officer and General Counsel. Mr. Frazier has been RIAC's General Counsel since February 2005 and, since January 2015, also serves as its Senior Vice President of Administration, Engineering, Planning and Environment. 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, and California. He is a 1982 graduate of Miami University with a Bachelor's Degree in Economics. He earned his law degree cum laude from the University of Akron School of Law in 1989. In 1995, Mr. Frazier earned a L.L.M. degree from McGill University's Institute of Air and Space Law. Mr. Frazier is a Certified Member of the American Association of Airport Executives. Mr. Frazier was appointed by the Board of Directors to serve as RIAC's Interim President and CEO on January 20, 2016. This is Mr. Frazier's third appointment as RIAC's Interim President and CEO.

Brian C. Schattle CPA, C.M., - Senior Vice President of Finance and Commercial Enterprise. As SVP of Finance and Commercial Enterprise, Mr. Schattle is responsible for financial and commercial functions for RIAC including procurement, accounting, cash management, financing, business development, air service development, tenant relations, parking and information technology. Prior to joining RIAC in June 2004, Mr. Schattle was the New England Region Vice President for a multinational provider of ground transportation services. Mr. Schattle began his career with KPMG and has over twenty years of experience in finance and accounting. Mr. Schattle has a Bachelor's Degree in Accounting from the University of Rhode Island. Mr. Schattle is a Certified Member of the American Association of Airport Executives.

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

### **The State Lease Agreement**

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

RIAC under the State Lease Agreement. RIAC is current in all of its payment obligations to the State. As of June 30, 2015, approximately \$495,000 State G.O. Bonds allocable to the Airports were outstanding.

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

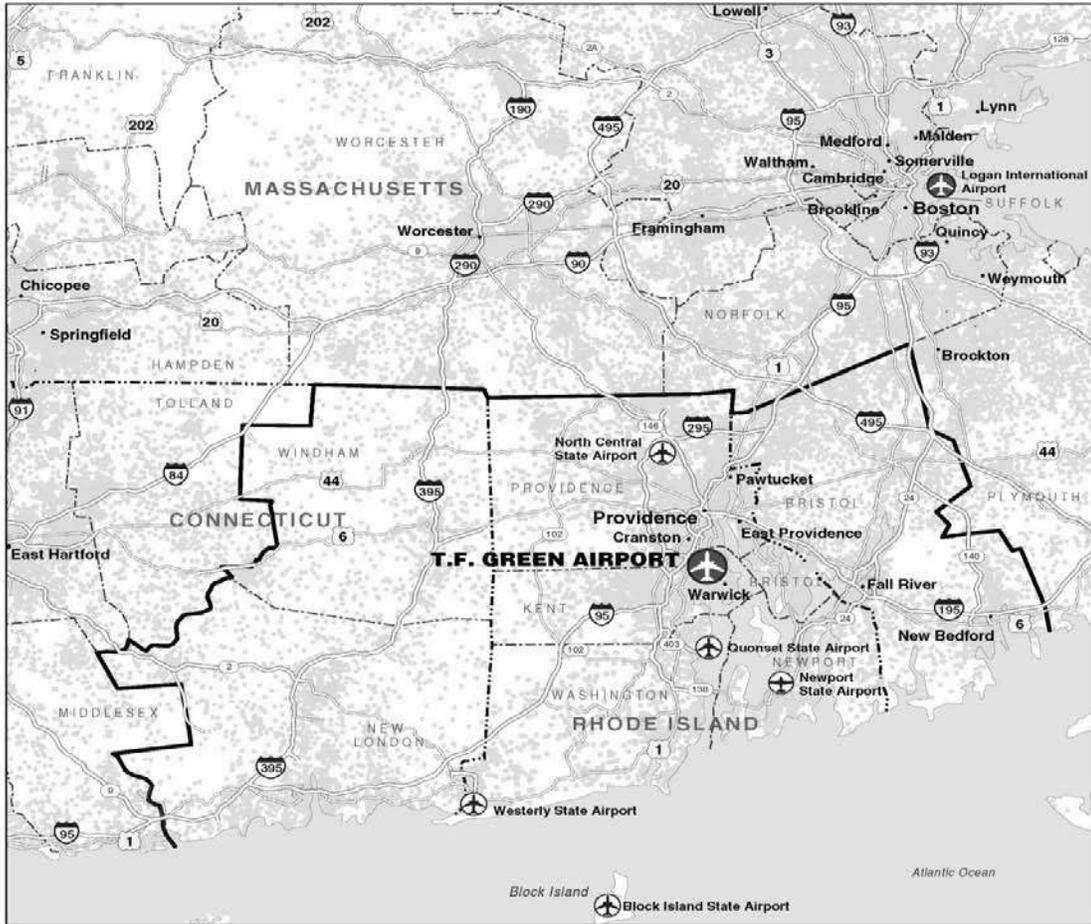
## **THE AIRPORT**

### **The Air Trade Area**

The Airport is located in the City of Warwick, Rhode Island, approximately eight miles south of downtown Providence, the State capital. The Airport service region comprises a primary area consisting of the State of Rhode Island, New London and Windham counties in Connecticut and Bristol County in Massachusetts and a large secondary area surrounding the primary area, as shown on the map on the following page. The primary area is defined as the area surrounding the Airport, whose population and economic activity generate the majority of the Airport's passenger traffic. The population of these governmental entities was approximately two million in 2010. In 2015, the State of Rhode Island, which constitutes the majority of the primary air traffic area, had real per capita income of \$47,187 versus \$46,069 for the United States as a whole. Based on location, accessibility, and services available at other commercial service airports within nearby service areas, it is recognized that the area served by the Airport extends to a secondary air trade area. The borders of this extended service area are established by Boston's Logan International Airport to the northeast and Hartford's Bradley International Airport to the west. Some of the passengers in the secondary air trade area use the Airport as an alternative to other airports in the region, primarily Boston's Logan International Airport. For a description of the General Aviation Airports, including the Quonset Airport. (See THE GENERAL AVIATION AIRPORTS).

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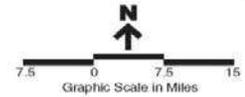
# AIR TRADE AREA MAP



**LEGEND**

- Primary area
- Population density: 1 dot represents 100 people
- Large or medium hub airport (as defined by the FAA for 2013)
- Other commercial service airport
- General aviation airport
- State boundary
- County boundary

Source: U.S. Census data, 2010.



Road miles from Providence to:	
Boston	51
Hartford	74
Manchester	105
Portland	117
Worcester	44

## **Airport Facilities**

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

A major terminal improvement project at the Airport was completed in 2008 to minimize congestion, ease circulation, improve security procedures, and enhance concessions. The expansion and improvement project increased the Terminal to approximately 402,000 square feet. As of June 30, 2015, airlines serving the Airport lease approximately 82,000 square feet of exclusive and preferential use area and approximately 61,000 square feet of common use area. The Terminal has passenger concourses that extend to the north and south of the central terminal area. Facilities for departing passengers are located on the second level where ticket counters, baggage checks, departure lounges and concessions such as restaurants and news/gift stands are located. On the second level, passengers pass through the central terminal area and then through the security checkpoint. From there, departing passengers take the concourse to the appropriate hold room and gate. Arriving international passengers utilize a Federal Inspection Services "FIS" Facility, which is conveniently located on the first level of the Terminal.

A total of approximately 9,740 public parking spaces are available on Airport property and/or leased space. They are divided as follows: a short term lot in front of the Terminal "Lot D" with approximately 420 spaces; a parking garage with approximately 1,500 spaces "Garage A"; a garage with 720 spaces "Garage B"; a leased garage with approximately 1,540 spaces "Garage C"; and an express lot with approximately 4,360 spaces with an additional overflow capacity of 1,200 spaces that can be put into service, if needed "Lot E". Garage A, Garage B, Garage C, Lot D and Lot E "RIAC controlled parking facilities" are operated pursuant to a parking management agreement with SP Plus Corporation, formerly Standard Parking Corporation.

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

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

The Airport has two intersecting runways, Runway 5/23 and Runway 16/34, which are 7,166 and 6,081 feet in length, respectively. Runway 5/23 has centerline lighting and is the primary air carrier runway. In addition, RIAC is currently in the process of extending Runway 5/23 to a length of nearly 8,700 feet in length to accommodate larger, heavier aircraft and enable longer routes. Runway 16/34 is used primarily by smaller, lighter general aviation aircraft (e.g., turboprops). Other facilities at the Airport include fuel storage areas, facilities for fixed base operators, certain rental car service facilities, air freight and air cargo facilities, various hangars and other aviation-related facilities.

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), Runway 23 (Cat II), and 34 (Cat I). Non-precision instrument approaches can be made to Runway 16. In 2008 an extension of Taxiway "M" was constructed to create a full parallel taxiway for the primary Runway 5/23 thus improving operational efficiency and safety.

There are several 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 overnight parking and is supported by a multi-tenant support services 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.

In addition to the Airport, RIAC also operates five general aviation airports. Westerly and Block Island Airports are both classified as commercial service airports by the FAA, each enplaning approximately 10,000 passengers annually. North Central and Quonset Airports are both classified as reliever airports. Newport Airport is classified as a general aviation airport. A portion of the proceeds of the 2016 Series D Bonds will finance construction costs in connection with the demolition of an unused terminal building at Quonset Airport and the construction of new maintenance garage located at Quonset Airport, including related engineering, environmental and related professional fees and expenses.

### **Connecting Ratio at the Airport**

The Airport is primarily an origination - destination airport. Approximately 99% of the passengers at the Airport either began or ended their journeys at the Airport in FY 2015.

### **Historical Enplanement Data**

The Airport is classified by the FAA as a small air traffic hub facility based on its percentage of nationwide enplanements. According to the latest data published by the FAA, the Airport was the 64<sup>th</sup> busiest in the country in terms of enplaned passengers in calendar year 2014. This compares with rankings of 63<sup>rd</sup> busiest for calendar years 2013, 2012, 2011 and 2010.

Actual enplaned passengers for fiscal year 2015 were 69,752 below 2014 resulting in a decrease of 3.8%. The decline in enplanements at the Airport was attributable to the impact of the economic downturn. The following table depicts the historical trend of enplaned passenger traffic at T. F. Green Airport for the fiscal years 2000 through 2015.

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

<b>Fiscal Year</b>	<b>Airport Enplanements</b>	<b>% Increase/Decrease</b>
2000	2,651,589	9.6%
2001	2,811,550	6.0%
2002	2,688,849	-4.4%
2003	2,646,978	-1.6%
2004	2,625,661	-0.8%
2005	2,858,917	8.9%
2006	2,770,432	-3.1%
2007	2,524,992	-8.9%
2008	2,479,954	-1.8%
2009	2,261,700	-8.8%
2010	2,025,144	-10.5%
2011	1,951,580	-3.6%
2012	1,914,828	-1.9%
2013	1,853,705	-3.2%
2014	1,846,176	-0.4%
2015	1,776,424	-3.8%

Source: RIAC

As of April 30, 2016 the Airport has experienced an increase in passenger activity as compared to fiscal year 2015.

FY2015 - through April 30, 2015	1,474,539	-
FY2016 - through April 30, 2016	1,505,495	2.1%

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**Airlines Carriers Serving the Airport**

As of June 2016, and based upon classifications defined by the U.S. Department of Transportation, the Airport has scheduled passenger service provided by three mainline carriers, two low cost carriers, and seven regional carriers. Three airlines provide international service and three airlines provide all-cargo service.

**AIRLINES SERVING THE AIRPORT**

**Mainline Carriers (3)**

Delta Air Lines  
United Airlines  
American Airlines<sup>1</sup>

**Doing Business As:**

**Low Cost Carriers (2)**

Southwest Airlines  
JetBlue Airways

**Regional Airlines (7)**

Air Wisconsin	American
Envoy Air	American
ExpressJet Airlines	United
Mesa Airlines	United
PSA Airlines	American
Republic Airlines <sup>2</sup>	American
Shuttle America	United

**International Carriers (3)**

Condor Airlines<sup>3</sup>  
TACV – Cabo Verde Airlines<sup>3</sup>  
SATA International - Azores Airlines<sup>4</sup>

**All Cargo Carriers (3)**

Federal Express  
United Parcel Service  
Wiggins Airways<sup>5</sup>

<sup>1</sup>Merged with US Airways in 2015

<sup>2</sup>Filed voluntary petitions for relief under Chapter 11 of the US Bankruptcy Code on February 26, 2016

<sup>3</sup>Added new service in June 2015

<sup>4</sup>Added new service in June 2016

<sup>5</sup> Wiggins Airways flies on behalf of Fed Ex

Sources: OAG Aviation Worldwide Ltd., online database, accessed April 2016 and Rhode Island Airport Corporation records.

*Airline Market Shares of Enplaned Passengers.* For Fiscal Year 2015, Southwest and US Airways (now operating as American Airlines) accounted for approximately 46.2 percent and 23.6 percent of enplanements at the Airport, respectively. Other carriers whose individual enplanement shares were greater than five percent of total Airport enplanements in Fiscal Year 2015 include Delta carriers, United carriers, and JetBlue.

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**RHODE ISLAND AIRPORT CORPORATION**

**T.F. GREEN AIRPORT (PVD)**

**HISTORICAL ENPLANEMENTS BY AIRLINE <sup>1</sup>**

<i>Airline</i>	<i>FY 2011 Enplanements</i>	<i>FY 2012 Enplanements</i>	<i>FY 2013 Enplanements</i>	<i>FY 2014 Enplanements</i>	<i>FY 2015 Enplanements</i>	<i>% 2015 Share</i>
Southwest	999,458	964,591	901,523	846,069	821,121	46.2%
US Airways <sup>2,4</sup>	443,815	440,593	431,248	444,384	419,757	23.6%
Delta <sup>2</sup>	244,325	260,714	236,344	234,957	230,285	13.0%
United <sup>2</sup>	155,969	164,040	187,621	185,289	150,887	8.5%
JetBlue	-	-	83,266	127,320	140,108	7.9%
Continental <sup>2</sup>	92,162	69,476	-	-	-	0.0%
Cape Air	5,800	5,026	4,456	3,784	3,639	0.2%
TACV – Cabo Verde Airlines	-	-	-	-	1,535	0.1%
Condor Airlines	-	-	-	-	944	0.1%
Air Canada (Air Georgian Ltd)	4,513	3,817	2,916	-	-	0.0%
All Others <sup>3</sup>	5,538	6,571	6,331	4,373	8,148	0.5%
<b>Airport Total</b>	<b>1,951,580</b>	<b>1,914,828</b>	<b>1,853,705</b>	<b>1,846,176</b>	<b>1,776,424</b>	<b>100.0%</b>

<sup>1</sup> For those airlines that were party to a merger or acquisition, the activity for the respective airlines after the effective date of the merger is included with the surviving entity. Prior to the effective date of the merger, the activity is reported separately.

<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> US Airways now operates as American Airlines.

Source: Rhode Island Airport Corporation

**Landed Weight by Airline.** The following Table presents the historical share of landed weight by passenger carrier groupings and all-cargo carriers at the Airport for the fiscal years 2011 through 2015. As shown, Southwest and US Airways, now operating as American Airlines, accounted for approximately 41.8 percent and 23.3 percent of the landed weight at the Airport in Fiscal Year 2015, respectively. Delta, United, and JetBlue (and their affiliates) each accounted for five percent or more of total landed weight in Fiscal Year 2015.

**RHODE ISLAND AIRPORT CORPORATION**

**T.F. GREEN AIRPORT (PVD)**

**HISTORICAL LANDED WEIGHT BY CARRIER (Weight in Thousand Pounds)**

<i>Airline</i>	<i>FY 2011 Landed Weight</i>	<i>Share</i>	<i>FY 2012 Landed Weight</i>	<i>Share</i>	<i>FY 2013 Landed Weight</i>	<i>Share</i>	<i>FY 2014 Landed Weight</i>	<i>Share</i>	<i>FY 2015 Landed Weight</i>	<i>Share</i>
Southwest Airlines	1,179,130,000	47.0%	1,062,004,000	45.9%	941,032,000	44.4%	853,830,000	40.8%	833,690,000	41.8%
US Airways <sup>2, 6</sup>	604,895,130	24.1%	544,359,192	23.5%	491,531,227	23.2%	505,745,946	24.2%	464,401,148	23.3%
Delta Airlines <sup>1, 2</sup>	302,719,996	12.1%	312,926,774	13.5%	268,414,405	12.7%	270,848,285	13.0%	262,052,348	13.1%
United Airlines <sup>1, 2</sup>	200,720,025	8.0%	192,636,179	8.3%	208,268,454	9.8%	195,719,433	9.4%	160,113,656	8.0%
Jet Blue	-	0.0%	-	0.0%	91,058,522	4.3%	150,293,168	7.2%	153,341,246	7.7%
Continental Airlines <sup>1, 2</sup>	107,518,589	4.3%	79,523,145	3.4%	-	0.0%	-	0.0%	-	0.0%
Cape Air	8,060,000	0.3%	6,801,400	0.3%	6,274,400	0.3%	5,192,250	0.3%	6,014,850	0.3%
All International Carriers	8,372,000	0.3%	8,092,300	0.4%	5,644,000	0.3%	-	0.0%	3,061,980	0.1%
All Cargo Carriers	96,958,420	3.9%	103,602,760	4.5%	105,642,000	5.0%	106,107,000	5.1%	109,531,500	5.5%
All Others <sup>4</sup>	-	0.0%	3,120,000	0.1%	2,759,000	0.1%	3,339,500	0.2%	3,493,968	0.2%
Airport Total <sup>5</sup>	2,508,374,160	100.0%	2,313,065,750	100.0%	2,120,624,008	100.0%	2,091,075,582	100.0%	1,995,700,696	100.0%

<sup>1</sup> For those airlines that were party to a merger or acquisition, the activity for the respective airlines after the effective date of the merger is included with the surviving entity.

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

<sup>3</sup> International includes Air Canada (Air Georgian Ltd., Condor Airlines, and TACV-Cabo Verde Airlines)

<sup>4</sup> Consists of airlines no longer serving the Airport and/or charter airlines.

<sup>5</sup> Totals may not add due to individual rounding.

<sup>6</sup> US Airways now operates as American Airlines

Source: Rhode Island Airport Corporation

## **AIRPORT SYSTEM FINANCIAL OPERATIONS**

RIAC operates as a self-supporting entity. Its financial operations are managed separately from those of the Corporation. RIAC derives revenue from a variety of sources. The principal sources of RIAC's revenue, and several other matters related to RIAC's financial operations, are described below.

### **Historical Financial Information.**

The Airports are owned by the State and, prior to July 1, 1993, were operated and managed by the Rhode Island Department of Transportation through its Division of Airports. Pursuant to the State Lease Agreement, operating responsibility for the Airports was transferred to RIAC. (The State Lease Agreement is described under the section entitled "The State Lease Agreement.") Currently, the Airport's financial records are maintained on an accrual basis. The Airports' Fiscal Year ends June 30th and consists of the preceding 12-month period.

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## Summary of Financial Results

The table below presents a summary of RIAC's revenues, expenses, and changes in retained earnings (deficit) for Fiscal Years 2011 through 2015. The data were excerpted from RIAC's audited annual financial statements. Refer to Appendix B for complete audited financial statements for Fiscal Year 2014 and 2015.

**Rhode Island Airport Corporation  
T. F. Green Airport**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (1)**

	(As restated)				
	June-11	June-12	June-13	June-14	June-15
<b>OPERATING REVENUES</b>					
Rental, concession fees and other	\$ 24,815,837	\$ 24,927,997	\$ 25,769,926	\$ 25,998,486	\$ 26,736,651
Landing fees and airfield revenues	13,748,215	13,800,015	13,235,900	13,504,418	15,386,501
Parking	11,588,344	11,542,017	11,314,555	12,040,693	11,399,673
Total operating revenues	<u>50,152,396</u>	<u>50,270,029</u>	<u>50,320,381</u>	<u>51,543,597</u>	<u>53,522,825</u>
<b>OPERATING EXPENSES</b>					
Employee Wages & Benefits	17,542,387	16,907,287	17,223,123	17,778,912	18,784,262
Supplies, Materials & Services	5,616,227	5,549,336	5,289,322	5,655,282	5,022,358
Other Operating Expenses	5,925,242	5,777,888	5,825,550	6,711,564	7,110,752
Depreciation & Amortization	19,043,196	19,872,690	20,071,783	19,905,379	20,158,122
Total operating expenses	<u>48,127,052</u>	<u>48,107,201</u>	<u>48,409,778</u>	<u>50,051,137</u>	<u>51,075,494</u>
Operating income (before InterLink)	2,025,344	2,162,828	1,910,603	1,492,460	2,447,331
InterLink, net operating income (2)	2,615,961	2,155,930	1,520,012	1,318,219	1,698,634
Operating income	4,641,305	4,318,758	3,430,615	2,810,679	4,145,965
<b>NONOPERATING REVENUES(EXPENSES)</b>					
Interest expense	(13,667,819)	(13,131,729)	(13,071,192)	(12,153,363)	(10,956,025)
InterLink Interest expense	(2,445,190)	(4,399,988)	(4,549,014)	(4,533,513)	(4,495,513)
Passenger facility charges	8,089,543	7,747,347	7,627,745	7,307,517	7,152,033
InterLink, net (2)	-	-	-	-	-
Grant revenues for property acquisition	3,983,623	795,213	2,383,569	8,819,005	14,438,138
Grant expenses for property acquisition	(3,869,237)	(964,161)	(2,169,191)	(8,976,548)	(14,652,027)
Investment income	140,756	39,808	46,874	61,151	109,610
InterLink investment income	53,405	9,959	23,741	7,167	25,338
Claims, judgements and other settlements	205,987	-	-	-	-
Other income (expense)	120,217	94,667	89,755	38,528	414,978
Total non-operating revenues, net	<u>(7,388,715)</u>	<u>(9,808,884)</u>	<u>(9,617,713)</u>	<u>(9,430,056)</u>	<u>(7,963,468)</u>
Income before capital contributions	(2,747,410)	(5,490,126)	(6,187,098)	(6,619,377)	(3,817,503)
<b>CAPITAL CONTRIBUTIONS, NET</b>	(5,768,578)	4,654,657	6,427,035	9,428,844	30,757,179
Change in net position	(8,515,988)	(835,469)	239,937	2,809,467	26,939,676
Net Position, beginning of year (3)	311,420,276	302,904,288	299,337,150	299,577,087	300,386,306
Net Position, end of year	<u>\$ 302,904,288</u>	<u>\$ 302,068,819</u>	<u>\$ 299,577,087</u>	<u>\$ 302,386,554</u>	<u>\$ 327,325,982</u>

Footnote:

- (1) Certain reclassifications are made on an annual basis to the prior year amounts to conform to the current presentation.  
(2) In FY 2011, the Interlink Facility commenced operations. For FY 2011 and later, the net operating results are reported in InterLink, net operating income.  
(3) FY 2015 beginning Net Position was restated by a reduction of approximately \$2 million as a result of the adoption of GASB 68.

**Management Discussion of Historical Financial Results**

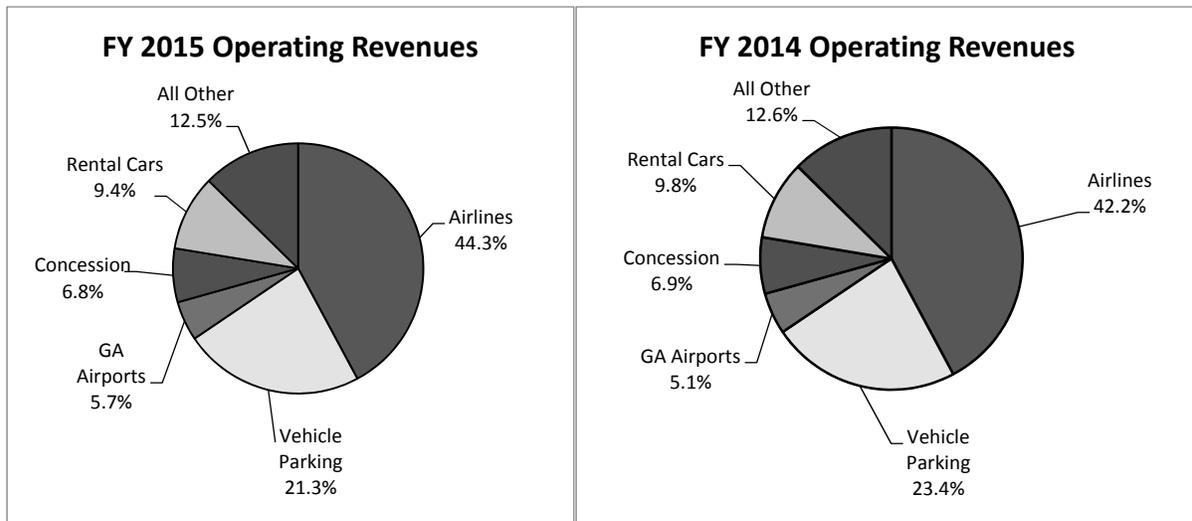
RIAC's principal operating revenue categories include fees and charges to the airlines utilizing the Airport, which consist of landing fees, terminal rental fees, and airline equipment charges. In addition, RIAC receives revenues from airport parking, fuel flowage fees, food/beverage and retail concessions, non-airline rental fees, automobile rental fees, and off-airport courtesy fees.

Operating expenses include employee wages and benefits, retirement benefits, supplies and materials, other operating expenses, and depreciation and amortization.

**Major Revenue Categories**

The following chart shows the major sources and the percentage of total operating revenues for the fiscal years ended June 30, 2015, 2014 and 2013.

	2015	% of Total Revenues	2014	% of Total Revenues	2013	% of Total Revenues
<b>OPERATING REVENUES</b>						
Passenger Airlines	\$ 23,728,317	44.3%	\$ 21,729,795	42.2%	\$ 21,317,607	42.4%
Vehicle Parking	11,399,673	21.3%	12,040,693	23.4%	11,449,590	22.8%
Rental Cars	5,035,153	9.4%	5,028,966	9.8%	5,111,211	10.2%
Concession	3,628,352	6.8%	3,580,285	6.9%	3,450,387	6.9%
General Aviation Airports	3,051,988	5.7%	2,640,881	5.1%	2,485,396	4.9%
Tiedowns, Hangar & Miscellaneous	1,263,654	2.4%	1,265,054	2.5%	1,332,575	2.6%
Other Revenues	1,071,578	2.0%	998,263	1.9%	892,679	1.8%
Non-Airline Rent	1,031,437	1.9%	1,050,744	2.0%	1,018,420	2.0%
General Aviation & Cargo	904,241	1.7%	804,559	1.6%	756,768	1.5%
Fuel Flowage Fees	877,977	1.6%	900,432	1.7%	1,028,787	2.0%
Rental Revenues - Airport Support	824,971	1.5%	844,285	1.6%	837,693	1.7%
Off Airport Courtesy Fees	705,484	1.3%	659,640	1.3%	639,268	1.3%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 53,522,825</b>	<b>100.0%</b>	<b>\$ 51,543,597</b>	<b>100.0%</b>	<b>\$ 50,320,381</b>	<b>100.0%</b>



Overall revenues for fiscal year 2015 increased by approximately \$1,979,000 from fiscal year 2014 revenues. Overall revenues for fiscal year 2014 increased by approximately \$1,223,000 from fiscal year 2013 revenues.

Passenger Airline revenues for fiscal year 2015 increased by approximately \$1.9 million over fiscal year 2014 primarily due to the inclusion of debt service related to the Deicer Management System into the airline rate base. Passenger Airline revenues for fiscal year 2014 increased by approximately \$412 thousand from fiscal year 2013.

Passenger Airline revenues include landing fees, terminal rentals, and apron rentals, net of an airline net revenue share. Passenger Airline revenue divided by fiscal year enplanements results in the Airport's Cost Per Enplanement (CPE). The calculated CPE's for fiscal years 2015, 2014 and 2013 are \$13.36, \$11.77, and \$11.50, respectively.

Fiscal year 2015 Vehicle Parking revenues decreased by approximately \$641 thousand from fiscal year 2014 as a result of declines in passenger traffic at the Airport and a customer relocating its employee parking from an Airport parking facility to the InterLink parking garage. Vehicle Parking revenues for fiscal year 2014 increased by \$591 thousand over fiscal year 2013 as a result of parking rate adjustments and programs to maximize the use of Airport parking facilities.

Rental Car revenues for fiscal year 2015 increased by approximately \$6 thousand over fiscal year 2014 as a result of scheduled rent increases per the terms of the rental car agreements, offset by the impact of declines in passenger traffic at the Airport. Rental Car revenues decreased by approximately \$82 thousand from fiscal year 2013. These revenues include RIAC's share of rental car transactions and space rentals at the Airport.

Concession revenues for fiscal years 2015 and 2014 increased by approximately \$48 thousand and \$130 thousand respectively as a result of scheduled increases per the terms of concessionaire agreements. Included in this category are revenues from food, retail, and advertising concessionaires at the Airport.

General Aviation Airports revenues increased by \$411 thousand and \$155 thousand in fiscal years 2015 and 2014 respectively, due to increased building and office rental, hangar rental, and fuel revenues at Quonset and North Central Airports and increased fuel revenues at Newport Airport.

Other Revenues for fiscal years 2015 and 2014 increased by approximately \$73 thousand and \$106 thousand respectively. The increase in fiscal year 2015 is primarily due to increased utility reimbursement revenues and operating grant revenue. The increase in fiscal year 2014 is due to the receipt of FEMA grants received related to weather events. Included in this line item are operating grant revenues, utility reimbursements, aircraft registration fees and audit recoveries.

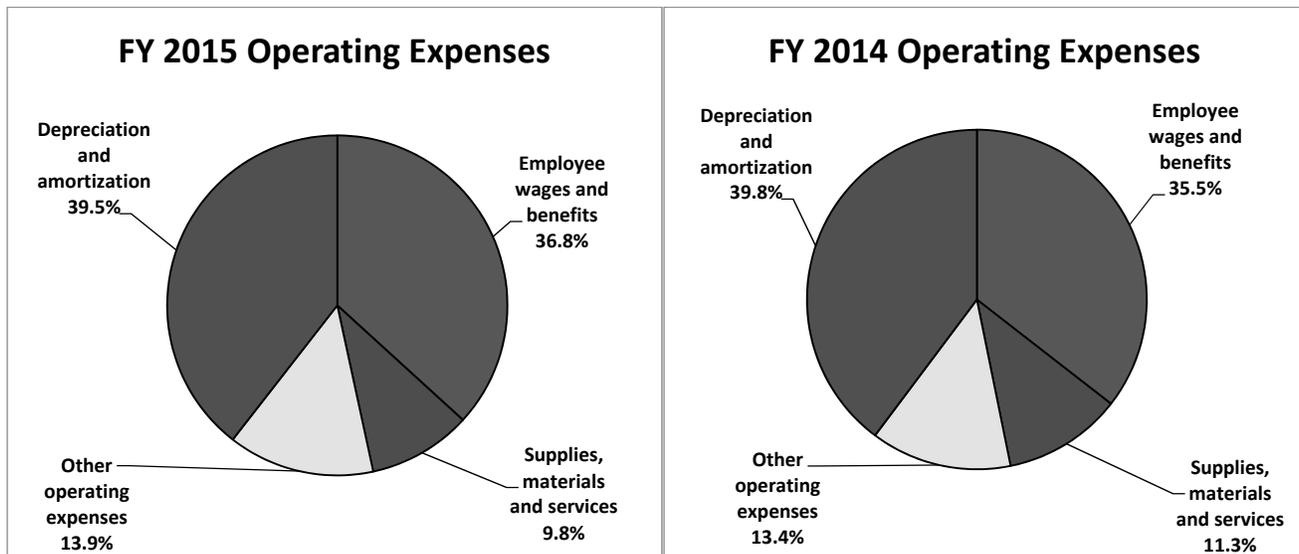
Rental Revenues – Airport Support Fund for fiscal year 2015 decreased by \$19 thousand from fiscal year 2014. Rental Revenues increased by \$7 thousand over fiscal year 2013. These revenues are for rental fees on certain revenue producing parcels located at Quonset State Airport.

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Operating Expenses

The following chart illustrates major categories of operating expenses for the fiscal years ended June 30, 2015, 2014 and 2013:

	2015	% of Total Operating Expenses	2014	% of Total Operating Expenses	2013 (as restated)	% of Total Operating Expenses
<b>OPERATING EXPENSES</b>						
Employee wages and benefits	\$ 18,784,262	36.8%	\$ 17,778,912	35.5%	\$ 17,223,123	35.6%
Supplies, materials and services	5,022,358	9.8%	5,655,282	11.3%	5,289,322	10.9%
Other operating expenses	7,110,752	13.9%	6,711,564	13.4%	5,825,550	12.0%
Depreciation and amortization	<u>20,158,122</u>	39.5%	<u>19,905,379</u>	39.8%	<u>20,071,783</u>	41.5%
<b>TOTAL OPERATING EXPENSES</b>	<u>\$ 51,075,494</u>	100.0%	<u>\$ 50,051,137</u>	100.0%	<u>\$ 48,409,778</u>	100.0%



Employee wages and benefits for fiscal years 2015 and 2014 increased by \$1.005 million and \$556 thousand respectively over prior year amounts. The increase in fiscal year 2015 is primarily due to overtime for snow removal, increased medical insurance costs and the scheduled increase in employee wages. The increase in fiscal year 2014 is primarily due to the increase in the employer match to the Money Purchase Pension Plan and the scheduled increase in employee wages.

Supplies, materials, and services decreased by \$633 thousand from prior year amounts primarily due to reduced costs for glycol maintenance contract services as the new Deicer Management system was operational in fiscal year 2015. Fiscal year 2014 expense increased by \$366 thousand over prior year amounts primarily due to increased supplies and repair costs. Included in this line item are contracted maintenance, outside services, professional fees and supplies.

Other operating expenses for fiscal years 2015 and 2014 increased by \$399 thousand and \$886 thousand, respectively over prior year amounts. The increase in fiscal year 2015 is a result of increased for utility costs and increased airline advertising expense. The increase in fiscal year 2014 is primarily due to increased utility and fuel costs. Included in this line item are utilities, maintenance agreements, insurance and advertising.

**Current Operating Budget**

The following table depicts the operating budget of RIAC for Fiscal Year 2016:

SUMMARY OF BUDGETED OPERATING REVENUE & EXPENSES

Fiscal Year Ended June 30, 2016

Operating Revenues	<u>\$54,980,000</u>
Operating Expenses	
Employee Wages & Benefits	\$19,779,000
All Other Operating Expenses	\$12,994,000
Amortization & Depreciation	<u>\$22,100,000</u>
Total Expenses	<u>\$54,873,000</u>
Net Operating Income After Depreciation	\$ 107,000

**Debt Service Coverage**

Presented below is a table presenting the Amounts Available to Pay Debt Service (as defined in the Indenture) and a comparison of those amounts to the debt service payable on Bonds in Fiscal Years 2011, 2012, 2013, 2014 and 2015.

**RHODE ISLAND AIRPORT CORPORATION**

<b>DEBT SERVICE COVERAGE</b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>	<b><u>FY 2013</u></b>	<b><u>FY 2014</u></b>	<b><u>FY 2015</u></b>
Net Revenues and amounts transferred from the General Purpose Fund	\$ 29,385,072	\$ 30,361,809	\$ 29,819,907	\$ 29,845,556	\$ 29,535,426
Other Funds Available to Pay Debt Service:					
Pledged Passenger Facility Charges	4,171,808	4,169,850	4,168,193	3,693,672	2,782,662
Coverage Accounts	<u>4,599,701</u>	<u>4,700,927</u>	<u>4,702,852</u>	<u>4,703,326</u>	<u>4,541,807</u>
Total	\$ 8,771,509	\$ 8,870,777	\$ 8,871,045	\$ 8,396,998	\$ 7,324,469
Amounts Available to Pay Debt Service	\$ 38,156,581	\$ 39,232,586	\$ 38,690,952	\$ 38,242,554	\$ 36,859,895
Debt Service	\$ 22,475,954	\$ 22,527,731	\$ 22,521,263	\$ 21,207,620	\$ 20,949,889
Debt Service Coverage Ratio	1.70	1.74	1.72	1.80	1.76

Source: RIAC

**THE GENERAL AVIATION AIRPORTS**

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

**North Central Airport**

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

### **Quonset Airport**

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

### **Westerly Airport**

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

### **Newport Airport**

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

### **Block Island Airport**

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

## **THE 2016 PROJECT**

The 2016 Project consists of various improvements to the Airport and the Quonset Airport and land acquisition.

Elements of the 2016 Series D Project include various airport capital projects including, but not limited to:

- (i) the design, permitting, bidding and construction costs related to the extension of Runway 5 at T.F. Green Airport, including the acquisition of property, the re-alignment of a portion of Main Avenue, Warwick, Rhode Island,
- (ii) the relocation of Winslow Park located in Warwick, Rhode Island,
- (iii) the installation of an EMAS bed,
- (iv) the modification and/or replacement of navigational equipment,
- (v) the removal of aeronautical obstructions,
- (vi) the acquisition of residences located in the Runway Protection Zone in connection with said extension of Runway 5;
- (vii) the design, permitting, bidding and construction costs of triturator improvements in conformance with State and Local standards;
- (viii) professional and engineering services to update of the Airport Master Plan and Airport Layout Plans in conformance with Federal Aviation Requirements;
- (ix) demolition of various Airport properties and related costs;
- (x) engineering, environmental and related professional fees and expenses, construction costs in connection with the demolition of an unused terminal building at Quonset Airport and the construction of new equipment garage located at Quonset Airport;

The 2016 Series E Project (collectively with the 2016 Series D Project, the “2016 Project”) consists of the acquisition of certain real property located at 2119 Post Road, Warwick, Rhode Island, consisting of approximately 6.5 acres located near T.F. Green Airport, and all fixed assets, tangible personal property, inventory, installations, trade fixtures, building equipment, fittings, furniture, office equipment and other improvements located on said property. (See – APPENDIX A - REPORT OF THE AIRPORT CONSULTANT)

**PLAN OF FINANCE FOR THE 2016 PROJECT**  
**The 2016 Series D/E Bonds**  
**Project Costs and Funding Sources**

	<b>Total Cost</b>	<b>Grants</b>	<b>PFC</b>	<b>RIAC Funds</b>	<b>Outstanding Bonds</b>	<b>Series 2016 D/E Bonds</b>
Runway 5-23 Extension	\$92,500,000	\$50,000,000	\$3,997,153	\$201,041	\$4,301,806	\$34,000,000
Triturator Upgrade	\$725,000	-	-	-	-	\$725,000
Demolition of Miscellaneous Properties	\$500,000	-	-	-	-	\$500,000
Master Plan Update	\$1,000,000	-	-	-	-	\$1,000,000
Purchase of Commercial Property	\$3,100,000	-	-	-	-	\$3,100,000
Quonset Project	\$2,950,000	-	-	-	-	\$2,950,000
<i>TOTAL SERIES 2016 D/E PROJECT</i>	<i>\$100,775,000</i>	<i>\$50,000,000</i>	<i>\$3,997,153</i>	<i>\$201,041</i>	<i>\$4,301,806</i>	<i>\$42,275,000*</i>

\*includes expected interest earnings from bond proceeds

**FEDERAL GRANTS**

**Federal Grants-in-Aid**

Since the Airport is designated by the FAA as a small-hub airport, RIAC is eligible to receive grants-in-aid under the FAA’s Airport Improvement Program (AIP) for up to 90% of the costs of eligible projects. Certain of these grants are received as “entitlement” grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other “discretionary” grants are awarded on the basis of the FAA’s determination of the priorities for projects at the Airport and at other airports nationwide. The level of federal funding shown in Exhibit A reflects a combination of (a) funds already received from the FAA, and (b) future entitlement and/or discretionary funds expected to be received during the forecast period.

RIAC is currently using AIP entitlements and discretionary funds to pay for projects relating to improvements to the extension of Runway 5-23. RIAC received a letter from the FAA in October 2012 which stated the FAA’s intentions to consider AIP funding for the Runway 5-23 Extension and related projects in an amount up to \$50 million. This letter is not an official letter of intent (LOI) under 49 U.S.C. 47110(e) and does not obligate FAA to provide any funding.

Through Federal Fiscal Year 2015, RIAC has received grant awards in the amount of \$22.1 million in AIP funding for the Runway Extension and is anticipating an additional \$21.0 million in Federal Fiscal Year 2016. The remaining \$6.9 million is anticipated to be received in Federal Fiscal Year 2017. The amount of discretionary funding that the Runway Extension has already received is an indication of the high priority placed upon this project with regard to its importance to the national airspace system.

The Airport is currently the 3<sup>rd</sup> largest small hub airport in the United States and has been classified as a medium hub airport in recent history. As a medium hub, the Airport’s AIP entitlement funding would be reduced by 75% and would only be eligible to receive grants-in-aid under the FAA’s AIP for up to 75% of the costs of eligible projects. If the Airport is reclassified as a medium hub in future years, there is a two-year grace period during which the Airport would continue to be eligible to receive up to 90% of the costs of eligible projects. RIAC has conservatively developed their Capital Program assuming that the Airport returns to medium hub status in the forecast period.

**REPORT OF THE AIRPORT CONSULTANT**

The Report of Airport Consultant dated June 7, 2016 (the “Report”) included as **APPENDIX A** to this Official Statement was prepared by LeighFisher (the “Airport Consultant”) in connection with the issuance of the 2016 Series D/E Bonds. The Report should be read in its entirety for an understanding of the information and underlying assumptions. The Report

includes an examination of the underlying economic base of the Airport Service Area, analysis of historical and projected activity at the Airport, a description of the Airport’s capital improvement program and various financial analyses, including a computation of Airport revenue forecasts and a computation of debt service coverage ratios during the forecast period (Fiscal Year 2017 through Fiscal Year 2021). The Report concluded, based on various assumptions described in the Report, that the Airport is forecast to generate Revenues sufficient to satisfy the requirements of the Rate Covenant.

The following table shows forecasted Amounts Available to Pay Debt Service on outstanding obligations secured by Net Revenues for Fiscal Year 2017 through Fiscal Year 2021, as provided by the Airport Consultant.

**APPENDIX A** - “REPORT OF THE AIRPORT CONSULTANT” attached hereto provides detailed information on the Airport’s debt service requirements, historical and projected Amounts Available to Pay Debt Service, and historical and projected debt service coverage.

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Net Revenues and amounts transferred from the General Purpose Fund	\$31,890,000	\$32,355,000	\$31,958,200	\$32,156,000	\$32,303,000
Other Funds Available to Pay Debt Service:					
Pledged Passenger Facility Charges	\$ 3,109,000	\$ 5,052,000	\$ 5,057,000	\$ 5,061,000	\$ 5,060,000
Coverage Accounts	<u>4,878,000</u>	<u>4,895,000</u>	<u>4,895,000</u>	<u>4,895,000</u>	<u>4,895,000</u>
Subtotal	<u>\$ 7,987,000</u>	<u>\$ 9,947,000</u>	<u>\$ 9,952,000</u>	<u>\$ 9,956,000</u>	<u>\$ 9,955,000</u>
Amounts Available to Pay Debt Service	\$39,877,000	\$42,302,000	\$41,910,200	\$42,112,000	\$42,258,000
Debt Service	\$22,487,000	\$24,525,000	\$24,498,000	\$24,498,000	\$24,502,000
Debt Service Coverage Ratio*	1.77	1.72	1.71	1.72	1.72

\*Debt Service Coverage Ratio requirement under the Indenture is 1.25

### **CAPITAL IMPROVEMENT PROGRAM**

RIAC has developed a five-year Capital Improvement Program to provide funding for needed capital improvements in the Airport system for Fiscal Years 2017-2021. SEE - APPENDIX A – “REPORT OF THE AIRPORT CONSULTANT – Exhibit A”.

In addition to the 2016 Project, the primary improvements in the Capital Improvement Program not being funded with proceeds of the Series 2016 D/E Bonds at the Airport are as follows:

- Noise mitigation and sound insulation (\$32.2 million)
- Taxiway C improvements (\$20.0 million)
- Runway 16-34 reconstruction (\$16.5 million)
- Airfield geometry improvements (\$6.0 million)
- Terminal improvements (\$5.6 million)

In addition to these major projects at the Airport, RIAC is also planning to spend \$48.3 million at the five general aviation airports.

Currently, RIAC has not developed a capital program for the Airport System after FY 2021. Capital improvements beyond FY 2021 have not been identified beyond those routinely necessary to ensure that the Airport continues to be a safe, secure, and efficient aviation facility (e.g., equipment replacement and major facility maintenance as needed).

### PASSENGER FACILITY CHARGE

Passenger Facility Charges “PFCs” are available to airports to finance specific eligible projects that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise resulting from an airport or (iii) furnish opportunities for enhanced competition among air carriers. RIAC has imposed a PFC since February 1, 1994. Through September 1, 2006, the PFC was imposed at the \$3.00 level and then increased to the \$4.50 level. PFC approvals by application are shown on the table below.

#### SUMMARY OF PFC PROGRAM AT THE AIRPORT

Application	PFC Amount Approved for Use (a)
93-01-C-02-PVD	\$ 100,136,720
97-02-C-00-PVD	3,892,980
00-03-C-01-PVD	16,278,654
00-04-U-01-PVD	15,591,061
06-05-C-00-PVD	31,826,316
09-06-C-00-PVD	15,832,980
14-07-C-00-PVD	<u>78,377,045</u>
	\$ 261,935,756

(a) Amounts are reported inclusive of all amendments.

Source: Rhode Island Airport Corporation.

Fiscal year 2015 PFC revenues were \$7.152 million as compared to \$7.308 million in fiscal year 2014 and \$7.628 million in fiscal year 2013. As of June 30, 2015, \$157.461 million (including interest earned) of PFCs have been collected. The authority to collect PFCs expires upon the expiration date specified by the FAA, July 1, 2028, or once collections reach a maximum amount approved by the FAA, whichever occurs first.

In fiscal year 2015, \$8.265 million of PFCs were expended for capital acquisition and construction and debt service payments on the 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), 2005 Series C bonds (which refunded the 2000 Series B), 2013 Series C (which refunded the 2003 Series), and 2015 Series A (which refunded the 2004 Series A). In fiscal year 2014, \$12.425 million of PFCs were expended for capital acquisition and construction and debt service payments on the 1994 Series A, 2003 Series (which refunded a portion of the 1993 Series), 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), 2005 Series C bonds (which refunded the 2000 Series B), and 2013 Series C (which refunded the 2003 Series). In fiscal year 2013, \$4.868 million of PFCs were used for capital asset acquisition and construction and debt service payments on the 1994 Series A, 2003 Series (which refunded a portion of the 1993 Series), 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), and 2005 Series C bonds (which refunded the 2000 Series B).

The Administrator may terminate a public agency's authority to impose the PFCs if the Administrator determines a public agency is in violation of certain provisions of the Airport Noise and Capacity Act (the "Noise Act") relating to noise and access restrictions or if the Administrator determines that the PFC Revenue is excessive or cannot determine that such revenue is being used for approved projects in accordance with the approval or with the Passenger Facility Charge Act, or, if project implementation does not commence within the time period specified in the Passenger Facility Charge Act or if the public agency is otherwise in violation of the PFC.

The FAA termination provisions provide a variety of procedural safeguards, including an informal resolution procedure before commencement of proceedings to terminate a public agency's authority to impose PFC, which the FAA will commence only if the FAA determines that informal resolution is not successful. In addition, termination proceedings include a period of time to allow a public agency to correct any defect the FAA has identified or to attempt to work out a compromise with the FAA that will allow the PFC Revenue stream to continue uninterrupted. A public agency's authority to impose PFCs and use PFC Revenues will continue for at least 180 days from the commencement of the informal resolution procedures.

The regulations under the Noise Act also contain significant procedural safeguards to ensure that a public agency's authority to impose PFCs would not be summarily terminated. Most significantly, a public agency can under any circumstance prevent termination of its PFC authority by suspending the effectiveness of any noise or access restriction in question, until the legal sufficiency of the restriction, and its impact on its PFC authority, has been determined.

RIAC covenanted in the First Supplemental Indenture and in the Thirteenth Supplemental Indenture that it would comply with all provisions of the Passenger Facility Charge Act applicable to RIAC, and that it would not take any action or omit to take any action with respect to the PFC Revenues, the Airport or otherwise if such action or omission would, pursuant to the Passenger Facility Charge Act, cause the termination of RIAC's authority to impose a PFC or prevent the use of the PFC Revenues as contemplated by the First Supplemental Indenture and the Thirteenth Supplemental Indenture. RIAC has also covenanted that it will not impose any noise or access restriction not in compliance with the Noise Act.

In the event fewer passengers enplane at the Airport than are currently projected, PFC Revenue available on an annual basis would be less than the amount currently projected. However, RIAC, upon request to and consent of the Administrator, would have the right to extend the collection period of the PFC in order to realize the amount of PFC Revenue originally approved. In addition, once approved, the authority of RIAC to impose and use PFCs could be terminated in whole or in part in the future, in accordance with the procedures described above. Upon the occurrence of any one or more of these events, the amount of PFC Revenue available to pay a portion of the annual debt service on the 2015 Series A Bonds, the 2016 Series C Bonds or the 2016 Series D Bonds could be reduced or eliminated provided, however, that Net Revenues would in any event continue to be pledged to pay debt service on such Bonds.

## **INVESTMENT CONSIDERATIONS**

### **General**

The following section describes certain risk factors affecting the payment of and security for all Bonds outstanding under the Trust Indenture, including the 2016 Series D/E Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the 2016 Series D/E Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following specific factors along with all other information described elsewhere or incorporated by reference in this Official Statement in evaluating the 2016 Series D/E Bonds.

### **General Factors Affecting Airline Activity**

Numerous factors affect air traffic generally and air traffic at the Airport more specifically. Demand for air travel is influenced by factors such as population, levels of disposable income, the nature, level and concentration of economic activity in the service area, and the price of air travel. The price of air travel is, in turn, affected by the number of airlines serving a particular airport and a particular destination; the financial condition, cost structure and hubbing strategies of the airlines serving an airport; the price of fuel, the cost of operating at an airport, and any operating constraints (due to capacity, environmental or other factors) limiting the frequency or timing of airport traffic within the national system or at a particular airport. In addition, public health risks, hostilities or the threat of terrorist attacks may dampen air traffic.

## **Factors Affecting Aviation and the Airline Industry**

Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Net Revenues available for payment of the 2016 Series D/E Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting. If aviation and enplaned passenger traffic at the Airport do not meet forecast levels, a corresponding reduction could occur in Revenues.

## **General Economic and Political Conditions**

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

## **Financial Health of the Airline Industry**

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

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately \$61 billion. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, recording net income of approximately \$23 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately \$27 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

In 2010 through 2013, the U.S. passenger airline industry as a whole recorded net income of approximately \$15 billion, in spite of sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Over the four years 2009 to 2013, the airlines collectively increased domestic seat-mile capacity by an average of just 1.0% per year. American Airlines filed for bankruptcy protection in 2011. In 2014, the U.S. passenger airline industry reported net income of approximately \$7.4 billion, assisted by reduced fuel prices in the second half of the year and ancillary charges introduced by most airlines in 2006, for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to allow increased airfares, and stable fuel prices. Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American Airlines (2001), the merger of US Airways and America West (2005), the merger of Delta Air Lines and Northwest (2009), the merger of United Airlines and Continental (2009), the acquisition of AirTran Airways by Southwest Airlines (2011), and the merger of American Airlines and US Airways (2013). Such consolidation has resulted in four airlines (American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines) accounting for approximately 72% of domestic seat capacity in 2014 and is expected by airline industry analysts to contribute to industry profitability.

However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

### **Airline Competition and Airfares**

Airline fares including ancillary fees have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive “discretionary” travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines decreased from 14.9 cents to 12.7 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 14.8 cents per passenger-mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 18.2 cents per passenger-mile by 2014. In 2015, the average domestic yield for U.S. airlines decreased to 17.7 cents, reflecting, in part, continued low fuel prices. Beginning in 2006, ancillary charges have been introduced by most airlines for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

### **U.S. Department of Justice Investigation of Certain Airlines**

It has been reported that the Justice Department has initiated a civil anti-trust investigation and has requested airlines to provide documents and information from the past two years that are related to seating capacity. By limiting the number of flights offered, allegedly airlines could restrain competition and raise fares. A Justice Department spokeswoman stated that the Justice Department is investigating potential unlawful coordination among some airlines. The Justice Department inquiry appears to be in its early stages and what effect, if any, this investigation will have on airlines and the industry as whole is not currently determinable.

### **Growth of Low Cost Carriers**

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

These low costs suggest that the LCCs can offer a lower fare structure to the traveling public than network carriers while still maintaining profitability. In calendar year 2014, LCCs provided approximately 28% of the airline seat capacity in the U.S. market. As the larger U.S. carriers consolidated and became more focused on

capacity discipline, fare increases took hold. LCCs began to emerge in larger markets where passenger levels were high enough for the LCCs to overcome certain barriers to entry caused by the larger carriers such as, for example, control of the majority of airport gates and slots. The cost structure of LCCs allows for lower fares, which has stimulated traffic and driven LCCs into more and larger markets. One result of the consolidation of carriers and their capacity discipline and the associated fare increases is that certain price-sensitive travelers are flying less. Recently, these budget conscious flyers have emerged as an underserved segment which has helped to expand the LCC market to include the ultra-low cost carriers, such as Allegiant Airways and Spirit Airlines. See “THE AIRPORT- Airlines Serving the Airport” and the related charts regarding historical airline market shares and enplanements for more information about airline service, activity and market shares at the Airport.

### **Airline Service and Routes**

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

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

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

### **Structural Changes in the Travel Market**

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

### **Public Health Risks**

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

an outbreak of the Ebola virus in West Africa in 2014, concerns about the spread of the virus have adversely affected travel to and from certain regions of Africa.

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

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

### **Availability and Price of Aviation Fuel**

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

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

### **Impact of Federal Sequestration**

In February 2012, a four-year reauthorization bill for the FAA, the FAA Modernization and Reform Act of 2012, was enacted. This was the first long-term FAA authorization since the last such authorization expired in 2007. Between 2007 and the 2012 reauthorization, there were 23 short-term extensions of the FAA's authority and a two-week partial shutdown of the FAA in the summer of 2011. Scheduled to expire on September 30, 2015, the 2012 FAA reauthorization act retained the federal cap on PFCs at \$4.50 and authorized \$3.35 billion per year for the AIP through fiscal year 2015. On September 30, 2015, an extension of the FAA reauthorization act was signed into law that extended the act's expiration to March 31, 2016. This six-month extension provides for \$1.675 billion in AIP funding, which corresponds to half of the \$3.35 billion per federal fiscal year provided under the 2012 FAA reauthorization act, and maintains the federal cap on PFCs at \$4.50. On March 21, 2016, Congress passed another short-term extension of the FAA's authority that extended funding to July 15, 2016, the Airport and Airway Extension Act of 2016, which was signed into law on March 30, 2016 by the President. As reauthorized, the Airport and Airway Extension Act of 2016 retained the federal cap on passenger facility charges at \$4.50 and continued funding for the Airport Improvement Program ("AIP") through Federal fiscal year 2016. There can be no assurance that Congress will enact and the President will sign a new comprehensive, long-term FAA reauthorization act before the Airport and Airway Extension Act of 2016 expires. Failure to adopt such legislation could have a material, adverse impact on U.S. aeronautical operations and the Airport, generally, as well as on the AIP grant program and other sources of federal funds.

The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). FAA AIP expenditures are subject to congressional appropriation and no assurance can be given that the FAA will receive spending authority. In addition, the AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described below. RIAC is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to RIAC, such reduction could (i) increase by a corresponding amount the capital expenditures that RIAC would need to fund from other sources (including operating revenues and additional Bonds), (ii) result in adjustments to the CCP, or (iii) extend the timing for completion of certain projects. SEE – CAPITAL IMPROVEMENT PROGRAM.

Federal funding received by RIAC and aviation operations at the Airport could be adversely affected by the implementation of sequestration, a budgetary feature first introduced in the Budget Control Act of 2011. Sequestration could adversely affect FAA and TSA budgets and operations and the availability of certain federal grant funds typically received annually by RIAC, which may cause the FAA or TSA to implement furloughs of its employees and freeze hiring, and may result in flight delays and cancellations.

### **Effect of Airline Bankruptcies**

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

### **Availability of PFC Revenues and Other Sources of Funding**

The Airport's plan of finance for many of the completed CIP projects at the Airport assumed that PFC revenues would be available in certain amounts and at certain times for the payment of a portion of the Debt Service on the Bonds issued to pay the costs of many of the projects. In addition, the Airport's plan of finance for its five-year CIP assumes that federal grants will be received in certain amounts and at certain times to pay certain capital project costs. See "THE AIRPORT SYSTEM - Capital Improvement Program" above. No assurance can be given that these sources of funds actually will be available in the amounts or on the schedule assumed.

The amount of PFC revenue collected for the Airport in past years has varied, and in future years will vary, based upon the actual number of passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. This adverse impact of decreased enplanements could be direct or indirect. For example, PFC shortfalls could result in increases in terminal rentals or other rates and charges at the Airport, thereby negatively impacting the airlines' desire to operate at the Airport. Furthermore, under the terms of the PFC Act, the FAA may terminate the Airport's authority to impose a PFC if the Airport's PFC revenues are not being used for approved projects in accordance with the FAA's approval, the PFC Act or the regulations promulgated thereunder, or if the Airport otherwise violates the PFC Act or regulations. The FAA may also terminate the Airport's authority to impose a PFC for a violation by the Airport of the Airport Noise and Capacity Act. The PFC termination provisions contained in the regulations provide both informal and formal procedural safeguards. In addition, although the FAA's PFC regulations require Collecting Carriers (as defined in the PFC Act) to account for PFC collections separately, and indicate that such funds are to be regarded as trust funds held by the Collecting Carriers for the beneficial interest of the public agency imposing the PFC, recent bankruptcy court decisions indicate that in a bankruptcy proceeding involving a Collecting Carrier, it is likely that PFCs will not be treated as trust funds and that airports are not entitled to any priority over other creditors of the Collecting Carrier as to such funds.

Also, as discussed under “CAPITAL IMPROVEMENTS” above, the assumptions with respect to entitlement and discretionary funding, although considered reasonable by RIAC, are inherently subject to certain uncertainties and contingencies. Actual entitlement and/or discretionary funding levels and timing may vary and such differences may be material.

To the extent that any portion of the funding assumed in the plan of finance for capital projects at the Airport is not available as anticipated, the Corporation and RIAC may be required to issue Additional Bonds to pay the costs of such capital projects and to increase airline rates and charges to pay debt service on the Bonds and to fund the required coverage thereon. As an alternative to issuing Additional Bonds, the Airport may ultimately decide not to proceed with certain capital projects or may proceed with them on a different schedule, producing different results than those included in the projections shown in the Report of the Airport Consultant.

### **CIP Costs and Schedule**

The estimated costs of, and the projected schedule for, the projects in the CIP for the Airport depend on various sources of funding, and are subject to a number of uncertainties. The Series 2016 D/E Projects are part of the Airport’s CIP. The ability of the Airport to complete these projects within the current budgets and on the current schedules may be adversely affected by various factors including: (1) estimating errors, (2) design and engineering errors, (3) changes to the scope of the projects, (4) delays in contract awards, (5) material and/or labor shortages, (6) delays due to airline operational needs, (7) unforeseen site conditions, (8) adverse weather conditions, (9) contractor defaults, (10) labor disputes, (11) unanticipated levels of inflation, (12) litigation and (13) environmental issues.

No assurance can be given that the costs of these projects will not exceed the current budget for these projects or that the completion will not be delayed beyond the currently projected completion dates. Any schedule delays or cost increases could result in the need to issue Additional Bonds. The issuance of Additional Bonds may result in increased costs per enplaned passenger to the airlines. At present, the Airport is unable to estimate the costs associated with each of the risks identified above and the total impact of these risks if such events were to occur. In addition, RIAC may ultimately decide not to proceed with certain capital projects, may proceed with them on a different schedule, or may add other capital projects, resulting in different results than those included in the projects shown in the Report of the Airport Consultant.

### **Assumptions in the Report of the Airport Consultant**

The Report of the Airport Consultant should be read in its entirety for an understanding of the forecasts and the underlying assumptions. As noted in the Report of the Airport Consultant, any financial forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. The actual financial results achieved will vary from those forecasts, and the variations may be material. Further, the Report of the Airport Consultant does not cover the entire period through maturity of the Series 2016 Series D/E Bonds. See APPENDIX A - “REPORT OF THE AIRPORT CONSULTANT.”

### **Passenger Facility Charges**

Pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (P.L. 101-508), the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (P.L. 106-181) and the 2003 FAA Reauthorization Act (collectively, the “PFC Acts”), the FAA has approved the Airport’s applications to require airlines to collect and remit to RIAC a PFC on each enplaning revenue passenger at the Airport. See [“PASSENGER FACILITY CHARGES”]. PFCs are an important element of the Airport’s funding for its capital improvement program. See “CAPITAL IMPROVEMENT PLAN.” Declining enplanements lead directly to reduced PFC revenues.

The PFC Acts provide that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., RIAC) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately

and to disclose the existence and amount of funds regarded as trust funds for financial statements. Airlines are permitted, however, to commingle PFC collections with other revenues and also are entitled to retain interest earned on PFC collections until such PFC collections are remitted.

In 2003, the Vision 100 – Century of Aviation Reauthorization Act (“Vision 100”) became effective. Vision 100 requires an airline that files for bankruptcy protection, or that has an involuntary bankruptcy proceeding commenced against it, to segregate passenger facility revenue in a separate account for the benefit of the eligible agencies entitled to such revenue. Prior to the amendments made by Vision 100 to allow PFCs collected by airlines to constitute a trust fund, at least one bankruptcy court indicated that the PFC revenues held by an airline in bankruptcy would not be treated as a trust fund and would instead be subject to the general claims of the unsecured creditors of such airline.

RIAC cannot predict whether an airline that files for bankruptcy protection would have properly accounted for the PFCs or whether the bankruptcy estate would have sufficient moneys to pay the Airport in full for the PFCs owed by such airline.

### **Impact of Uncertainties of the Airline Industry on the Airport**

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

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

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

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

### **Role of Southwest Airlines**

Southwest Airlines is the leading carrier operating at the Airport. Southwest Airlines, accounted for approximately 46.2% of passenger enplanements at the Airport in Fiscal Year 2015. Additionally, Southwest Airlines leases 4 of the 19 full service jet gates at the Airport.

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

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

### **Aviation Security Concerns**

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

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

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

### **Information Concerning the Airlines**

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

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

Research and Special Programs Administration, DOT, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

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

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

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

### **Federal Regulation Regarding Rates and Charges Disputes**

The operations of the Airports are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Signatory Airline Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of September 11, 2001, the Airports also have been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airports, whether additional requirements will be funded by the federal government or require funding by RIAC, or whether such restrictions or legislation or regulations would adversely affect Revenues.

The Airport is not aware of any dispute involving the Airport over any existing rates and charges. The Airport believes that the rates and charges methodology utilized by the Airport and the rates and charges imposed by it upon air carriers and other aeronautical users are reasonable and consistent with the Final Rule issued by US DOT in January 1995, outlining the rules of practice for filing complaints and adjudicating complaint matters involving federally assisted airports. However, there can be no assurance that a complaint will not be brought against the Airport in the future challenging such methodology and the rates and charges established by the Airport or that, if a judgment is rendered against the Airport, that rates and charges paid by aeronautical users of the Airport will not be reduced.

### **Capacity of National Air Traffic Control and Airport Systems**

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations, but, as airline travel increases in the future, flight delays and restrictions may be expected.

### **Airport Insurance Coverage**

The Master Indenture does not specify any minimum amount of insurance coverage. Instead, the Master Indenture requires RIAC to maintain insurance against such risks at the Airports as are usually insured at other similar airports. RIAC maintains the following levels of insurance to the extent such risks are governed by governmental tort immunities.

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

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

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

### **Forward Looking Statements**

This Official Statement, and particularly the information contained under the caption "CAPITAL IMPROVEMENT PROGRAM" and in APPENDIX A - "REPORT OF AIRPORT CONSULTANT" 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 results to differ materially from those contemplated in such forward looking statements. Among the factors that may cause projected revenues and expenditures to be materially different from those anticipated are an inability to incur debt at assumed rates, construction delays, increases in construction costs, general economic downturns, factors affecting the airline industry in general, federal legislation and/or regulations, and regulatory and other restrictions, including but not limited to those that may affect the ability to undertake the timing or the cost of certain projects. Any forecast is subject to such uncertainties. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

### **Limitation of Remedies**

Under the terms of the Indenture, Events of Default are limited to such actions which may be taken at law or in equity. See Appendix C – Definitions and Summaries of Certain Provisions of the Principal Documents. No mortgage or security interest, however, has been granted or lien created to secure the payment of the 2016 Series D/E Bonds.

Various state laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the 2016 Series D/E Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Corporation, RIAC, the Airport or the payment of Net Revenues.

In the event of a default in the payment of principal of or interest on the 2016 Series D/E Bonds, the remedies available to the owners of the bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion to be delivered concurrently with delivery of the 2016 Series D/E Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See **Appendix D – Form of Opinion of Bond Counsel**.

## **Secondary Market**

No assurance can be given concerning the existence of any secondary market in the 2016 Series D/E Bonds or its creation or maintenance by the Underwriter. Thus, purchasers of 2016 Series D/E Bonds should be prepared, if necessary, to hold their 2016 Series D/E Bonds until their respective maturity dates.

## **Additional Parity Bonds**

The Corporation reserves the right to issue, for any lawful purpose, one or more series of Additional Revenue Bonds payable from and secured by a first lien on Net Revenues, on a parity with the 2016 Series D/E Bonds, and any Outstanding Airport Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE 2016 SERIES D/E BONDS – Additional Bonds.”

## **LITIGATION**

There is no litigation pending in any court or, to best of the knowledge of the Corporation or RIAC, threatened, questioning the corporate existence of the Corporation or RIAC, or the title of the present Directors or Officers of the Corporation or RIAC to their respective offices, seeking to restrain or enjoin the issuance or delivery of the 2016 Series D/E Bonds, or concerning the proceedings of the Corporation or RIAC taken in connection with the 2016 Series D/E Bonds or the pledge of the Trust Estate or application of any Net Revenues provided for their payment or contesting the powers of the Corporation or RIAC with respect to the foregoing.

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

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

On March 7, 2016, the United States Securities and Exchange Commission (SEC) filed a complaint in the United States District Court for the District of Rhode Island charging the Rhode Island Commerce Corporation and Wells Fargo Securities with defrauding investors in a municipal bond offering, issued to finance 38 Studios, a startup video game company, and certain individuals, including an employee of Wells Fargo and the former Executive Director and Deputy Director of the Rhode Island Commerce Corporation, with aiding and abetting the fraud. According to a SEC news release, the former employees of the Rhode Island Commerce Corporation agreed to settle the charges without admitting or denying the allegations and must each pay a \$25,000 penalty. The SEC’s complaint further alleges that Wells Fargo and its employee misled investors by not disclosing additional compensation from 38 Studios. The press release further stated that in a separate administrative proceeding, the Issuer’s financial advisor for that bond offering – First Southwest Company LLC (“First Southwest”) – agreed to settle charges that it violated MSRB rules by failing to document in writing the scope of the services the firm was providing in the bond offering until seven months after the financial advisory relationship began. Without admitting or denying the findings, First Southwest agreed to pay disgorgement of \$120,000, prejudgment interest of \$22,400, and a penalty of \$50,000.

## **COLLECTIVE BARGAINING PROCEEDINGS**

A collective bargaining agreement covering a majority of RIAC’s employees is in place with the American Federation of State Government and Municipal Employees (AFSCME) Council 94, Local 2873, through June 30, 2017.

Under the collective bargaining agreement, grievances arise from time to time, and some of them go to arbitration. None of the grievances that are currently pending would, in the opinion of RIAC, have a significant impact on RIAC's financial condition if the union were to prevail.

## **PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS**

### **Pension Plans**

***Employees' Retirement System of the State of Rhode Island.*** Effective July 1, 2012, the State administered retirement system was modified to include both defined benefit and defined contribution components. The State of Rhode Island Employees' Retirement System (ERS) issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained by writing to the Employees' Retirement System of Rhode Island, 50 Service Avenue, Warwick, RI 02886.

***Defined Benefit Plan Description.*** All employees who transferred from the State's payroll to RIAC's employment on July 1, 1993 participate in a cost-sharing multiple-employer defined benefit pension plan administered by the ERS. The plan provides retirement and disability benefits, and death benefits to plan members and beneficiaries. The level of benefits provided to state employees is established by Chapter 36-10 of the General Laws, which is subject to amendment by the General Assembly.

***Funding Policy.*** The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. Participating RIAC employees are required to contribute 3.75% of their annual covered salary. RIAC is required to contribute at an actuarially determined rate; the rate was 23.33% of annual covered payroll for the fiscal year ended June 30, 2015. RIAC contributed \$175,135, \$167,075 and \$164,285 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contribution for each year.

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

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

RIAC contributed \$7,511, \$7,460, and \$7,453 for the fiscal years ended June 30, 2015, June 30, 2014, and June 30, 2013, respectively, equal to 100% of the required contributions for these years.

### **Money Purchase Pension Plan**

Employees hired by RIAC on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by RIAC. The number of RIAC employees covered by this Plan throughout the year averaged 140 in 2015 and 136 in 2014. RIAC's total payroll for the year ended June 30, 2015 was approximately \$12,301,000 of which \$10,217,000 was covered under the Plan. RIAC's total payroll for year ended June 30, 2014 was approximately \$12,010,000, of which \$10,056,000 was covered under the Plan. RIAC's total payroll for the year ended June 30, 2013 was approximately \$11,713,000, of which \$9,754,000 was covered under the Plan.

In order to participate in the Plan, covered employees must contribute 8% of their base pay to the Plan. Participants are 100% vested in the amounts they contribute. Withdrawals of these contributed amounts are not

permitted prior to termination of employment. RIAC matches 100% of participants' required contributions under a one-year vesting schedule. Total contributions for the year ended June 30, 2015 were approximately \$817,000 by the employer and \$828,000 by the employees, respectively. Total contributions for the year ended June 30, 2014 were approximately \$805,000 by the employer and \$819,000 by the employees, respectively. Total contributions for the year ended June 30, 2013 were approximately \$585,000 by the employer and \$599,000 by the employees, respectively.

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

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

### **Other Post-Employment Benefits**

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

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

The OPEB system issues a stand-alone, publicly available financial report. A copy of the report can be obtained from the State Controller's Office, 1 Capitol Hill, Providence, RI 02903.

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

All participating employers are required by law to fund the actuarially determined annual required contribution (ARC), which for fiscal year 2015 was 6.75% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. RIAC fully funded its required contribution to the Plan for the years ended June 30, 2015, 2014, and 2013 which was \$53,098, \$50,767, and \$53,048, respectively.

## **APPROVAL OF LEGALITY**

Certain legal matters incident to the validity of the 2016 Series D/E Bonds and the issuance thereof by the Corporation are subject to the approval of Mack Law Associates LLC Providence, Rhode Island, Bond Counsel, whose approving opinion (in the form attached hereto as APPENDIX D) will be delivered concurrently with the issuance of the 2016 Series D/E Bonds. Certain legal matters will be passed upon for the Corporation by Shechtman Halperin Savage, LLP, Pawtucket, Rhode Island, for RIAC by its in-house counsel and for the Underwriter by its counsel, Harrington & Vitale, Ltd., Providence, Rhode Island.

## TAX MATTERS

### 2016 Series D Bonds

In the opinion of Mack Law Associates LLC, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, (i) interest on the 2016 Series D Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2016 Series D Bond for any period during which the 2016 Series D Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities refinanced with the proceeds of the 2016 Series D Bonds or a "related person," (ii) interest on the 2016 Series D Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations, and (iii) interest on the 2016 Series D Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the 2016 Series D Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2016 Series D Bonds. Failure to comply with these requirements may result in interest on the 2016 Series D Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2016 Series D Bonds. The Corporation and RIAC have covenanted to comply with such requirements to ensure that interest on the 2016 Series D Bonds will not be included in federal gross income and have made certain representations and covenants to satisfy the requirements of the Code that must be met subsequent to the issuance of the 2016 Series D Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Failure to comply with such requirements could cause interest on the 2016 Series D Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2016 Series D Bonds.

Although Bond Counsel is of the opinion that interest on the 2016 Series D Bonds is excluded from gross income for federal income tax purposes and income on the 2016 Series D Bonds, including any profit made on the sale thereof, is exempt from State of Rhode Island (the "State") personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the 2016 Series D Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Bondholder or the Bondholder's other items of income, deduction or exclusion. Bond Counsel expresses no opinion regarding any such other tax consequences, and Bondholders should consult with their own tax advisors with respect to such consequences.

### 2016 Series E Bonds

Bond Counsel is of the opinion that interest on the 2016 Series E Bonds is included in gross income for federal income tax purposes.

### 2016 Series D/E Bonds

Bond Counsel is also of the opinion that, under existing law, interest on the 2016 Series D/E Bonds and any profit on the sale of the 2016 Series D/E Bonds are exempt from taxation by the State or any political subdivision or other instrumentality of the State. Bond Counsel expresses no opinion regarding any other Rhode Island tax consequences arising with respect to the 2016 Series D/E Bonds. Prospective Bondholders should be aware, however, that the 2016 Series D/E Bonds may be included in the measure of Rhode Island estate taxes, and the 2016 Series D/E Bonds and the interest thereon may be included in the measure of certain Rhode Island corporate and business taxes. Bond Counsel has not opined as to the taxability of the 2016 Series D/E Bonds or the income thereon under the laws of any state other than Rhode Island. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

*Risk of Future Legislative Changes and/or Court Decisions.* Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2016 Series D/E Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the 2016 Series D/E Bonds will not have an adverse effect on the tax status of interest on the 2016 Series D/E Bonds or the market value or marketability of the 2016 Series D/E Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the 2016 Series D/E Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, recent presidential and legislative proposals would eliminate, reduce or otherwise alter the tax benefits currently provided to certain owners of state and local government bonds, including proposals that would result in additional federal income tax on taxpayers that own tax-exempt obligations if their incomes exceed certain thresholds. Investors in the 2016 Series D/E Bonds should be aware that any such future legislative actions (including federal income tax reform) may retroactively change the treatment of all or a portion of the interest on the 2016 Series D/E Bonds for federal income tax purposes for all or certain taxpayers. In such event, the market value of the 2016 Series D/E Bonds may be adversely affected and the ability of holders to sell their 2016 Series D/E Bonds in the secondary market may be reduced.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

*Original Issue Discount.* To the extent the issue price of any maturity of the 2016 Series D/E Bonds is less than the amount to be paid at maturity of such 2016 Series D/E Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2016 Series D/E Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the 2016 Series D/E Bonds which is excluded from gross income for federal income tax purposes (with respect to the Series D Bonds) and is exempt from Rhode Island personal income taxes. In general, the issue price of a particular maturity of the 2016 Series D/E Bonds is expected to be the initial offering price for such maturity as set forth on the cover page of the Official Statement. The original issue discount with respect to any maturity of the 2016 Series D/E Bonds that has accrued and is properly allocable to such holders under Section 1288 of the Code is excludible from gross income for federal income tax purposes to the same extent as interest on the 2016 Series D/E Bonds. Bondholders should consult their own tax advisors with respect to the tax consequences of ownership of 2016 Series D/E Bonds with original issue discount.

*Bond Premium.* 2016 Series D/E Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such 2016 Series D/E Bonds, or, in some cases, at the earlier redemption date of such 2016 Series D/E Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Rhode Island personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes (with respect to 2016 Series D Bonds). However, a Bondholder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such Bondholder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective Bondholders should be aware that certain requirements and procedures contained or referred to in the Indenture, Loan Agreement and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the 2016 Series D/E Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2016 Series D/E Bonds may adversely affect the value of, or the tax status of interest on, the 2016 Series D/E Bonds.

Prospective Bondholders should be aware that from time to time legislation is or may be proposed which, if enacted into law, could result in interest on the 2016 Series D/E Bonds being subject directly or indirectly to federal income taxation, or otherwise prevent Bondholders from realizing the full benefit provided under current federal tax law of the exclusion of interest on the 2016 Series D/E Bonds from gross income. To date, no such legislation has been enacted into law. However, it is not possible to predict whether any such legislation will be enacted into law. Further, no assurance can be given that any pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the market value and marketability of, or the tax status of interest on, the 2016 Series D/E Bonds. Prospective Bondholders are urged to consult their own tax advisors with respect to any such legislation, interpretation or development.

### **COVENANT BY THE STATE**

Under the Act, the State pledges and agrees with the owners of the 2016 Series D/E Bonds that the State will not limit or alter the rights vested in the Corporation until such 2016 Series D/E Bonds, together with the interest thereon, are fully met and discharged; provided that nothing in the Act shall preclude limitation or alteration of such rights if and when adequate provisions shall be made by law for the protecting of the owners of such Bonds.

### **CONTINUING DISCLOSURE**

The Underwriter has determined that no financial or operating data concerning the Corporation is material to any decision to purchase, hold or sell the 2016 Series D/E Bonds and the Corporation will not provide any such information. RIAC has undertaken all responsibilities for any continuing disclosure to Bondowners or beneficial owners of the 2016 Series D/E Bonds as described below, and the Corporation shall have no liability to the Bondowners or beneficial owners of the 2016 Series D/E Bonds or any other person with respect to such disclosure.

On the date of delivery of the 2016 Series D/E Bonds, RIAC will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") for the benefit of the beneficial owners of the 2016 Series D/E Bonds to provide certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to the requirements of the Securities and Exchange Commission ("SEC") Rule 15c2-12(b)(5) (the "Rule") adopted by the SEC under the Securities Exchange Act, as amended (the "Exchange Act"). The MSRB has designed its electronic Municipal Market Access System, known as EMMA, as the system to be used for continuing disclosures to investors. The specific nature of the information to be made available and to be contained in the notices of material events is summarized in "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT" hereto. These covenants have been made to assist the Underwriter in complying with the Rule.

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

A failure by RIAC to comply with the provisions of the Continuing Disclosure Agreement will not constitute an Event of Default under the Agreement. Nevertheless, such a failure to comply must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2016 Series D/E Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2016 Series D/E Bonds.

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

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

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

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

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

## **RATINGS**

Moody's Investors Service, Inc. ("Moody's") has assigned a rating of "Baa1" to the 2016 Series D/E Bonds based upon RIAC's unenhanced creditworthiness. Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned the 2016 Series D/E Bonds a rating of "BBB+" based upon RIAC's unenhanced creditworthiness. Fitch Ratings ("Fitch") has assigned the 2016 Series D/E Bonds a rating of "BBB+" based upon RIAC's unenhanced creditworthiness. An explanation concerning the significance of the rating given by each rating agency may be obtained from such rating agency. Certain information and materials not included in this Official Statement were furnished to the rating agencies. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. Such credit ratings reflect only the views of such rating agencies, and an explanation of the respective significance of such ratings may be obtained from the rating agencies. There is no assurance that such credit ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by any or all of such rating agencies, if in their respective judgments circumstances so warrant. A revision or withdrawal of any such credit rating may have an adverse effect on the market price of the 2016 Series D/E Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

## **UNDERWRITING**

Raymond James & Associates, Inc. ("Raymond James"), the Underwriter, has agreed, subject to certain conditions, to purchase the 2016 Series D/E Bonds from the Corporation at a purchase price equal to \$47,344,520.91 (which represents the \$40,330,000 principal amount of the 2016 Series D/E Bonds, plus original issue premium of \$7,194,108.26 and less an Underwriter's discount of \$179,587.35 and to make a bona fide public offering of the 2016 Series D/E Bonds at not in excess of such public offering prices. The Underwriter will be obligated to purchase all of the 2016 Series D/E Bonds if any of the 2016 Series D/E Bonds are purchased, the obligation to make such purchase being subject to certain terms and conditions contained in a purchase contract and the approval of certain legal matters by counsel. The 2016 Series D/E Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such 2016 Series D/E Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed from time to time, by the Underwriter.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates

have, from time to time, performed, and may in the future perform, various investment banking services for the Corporation for which they received or will receive customary fees and expenses.

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

### **FINANCIAL ADVISOR**

RIAC has retained Public Financial Management, Inc. (the "RIAC Financial Advisor") to serve as its financial advisor in connection with the issuance of the 2016 Series D/E Bonds. RIAC Financial Advisor has not independently verified any of the information contained in this Official Statement and makes no guarantee as to its completeness or accuracy. RIAC may engage RIAC Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of 2016 Series D/E Bond proceeds. The Corporation has not retained a financial advisor in connection with the issuance of the 2016 Series D/E Bonds.

### **FINANCIAL STATEMENTS**

The audited financial statements of RIAC as of and for the fiscal years ended June 30, 2015 and June 30, 2014 have been included in APPENDIX B in this Official Statement in reliance upon the report of McGladrey LLP, independent auditors. McGladrey LLP, RIAC's independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey LLP, also has not performed any procedures relating to this Official Statement.

### **MISCELLANEOUS**

The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement. The descriptions of the Indenture, the Loan Agreement, the State Lease Agreement and the Signatory Airline Agreements do not purport to be comprehensive or definitive, and prospective purchasers of the 2016 Series D/E Bonds are referred to the Indenture, the Loan Agreement, the State Lease Agreement and the Signatory Airline Agreements for the complete terms thereof. Copies of the Indenture, the Loan Agreement, the State Lease Agreement, and the Signatory Airline Agreements are available at the office of the Trustee and the Corporation. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

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

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

The agreements of the Corporation with holders of the 2016 Series D/E Bonds are fully set forth in the Indenture. Neither any advertisement of the 2016 Series D/E Bonds nor this Official Statement is to be construed as a contract with purchasers of the 2016 Series D/E Bonds.

## AUTHORIZATION OF OFFICIAL STATEMENT

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

RIAC has reviewed the portions of this Official Statement describing it, "INTRODUCTION," "ESTIMATED SOURCES AND USES OF FUNDS," "ANNUAL DEBT SERVICE REQUIREMENTS," "SECURITY AND SOURCE OF PAYMENT FOR THE 2016 SERIES D/E BONDS," "FLOW OF FUNDS," "THE RHODE ISLAND AIRPORT CORPORATION," "THE AIRPORT," "AIRLINES SERVING THE AIRPORT," "AIRPORT SYSTEM FINANCIAL OPERATIONS," "THE GENERAL AVIATION AIRPORTS," "THE 2016 PROJECT," "PLAN OF FINANCE FOR THE 2016 PROJECT," "CAPITAL IMPROVEMENTS," "PASSENGER FACILITY CHARGES," "CONTINUING DISCLOSURE," "LITIGATION," "COLLECTIVE BARGAINING PROCEEDINGS," "PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS" and the portions of "INVESTMENT CONSIDERATIONS" relating to RIAC and APPENDIX B. At the closing, RIAC will certify that such portions of this Official Statement and APPENDIX B do not contain an untrue statement of a material fact or omit a statement of material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading.

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

### RHODE ISLAND COMMERCE CORPORATION

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

### RHODE ISLAND AIRPORT CORPORATION

By: /s/ Peter A. Frazier  
Peter A. Frazier  
Interim President and Chief Executive Officer & General Counsel

**Appendix A – Report of the Airport Consultant**

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Appendix A

**REPORT OF THE AIRPORT CONSULTANT**

on the proposed issuance of

RHODE ISLAND COMMERCE CORPORATION  
GENERAL AIRPORT REVENUE BONDS  
Series 2016D and 2016E Bonds

Prepared for

Rhode Island Airport Corporation  
Providence, Rhode Island

Prepared by

LeighFisher  
Burlingame, California

June 7, 2016

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June 7, 2016

Mr. Jonathan Savage  
Chairperson of the Board of Directors  
Rhode Island Airport Corporation

Mr. Peter Frazier  
Interim President & CEO  
Rhode Island Airport Corporation  
2000 Post Road  
Warwick, RI 02886

Re: Report of the Airport Consultant on behalf of the Rhode Island Airport Corporation, concerning the issuance of General Airport Revenue Bonds, Series 2016D and Series 2016E

Dear Mr. Savage and Mr. Frazier:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of General Airport Revenue Bonds, Series 2016D (the 2016D Bonds) and Series 2016E (the 2016E Bonds) (collectively, the 2016D/E Bonds) by the Rhode Island Commerce Corporation for and on the behalf of the Rhode Island Airport Corporation (RIAC), which operates and manages T.F. Green Airport (the Airport) and five general aviation airports (collectively with the Airport, the Airport System).

This letter and the accompanying attachment and exhibits constitute our report. The purpose of this report is to evaluate the ability of RIAC to generate sufficient revenues from the operation of the Airport System to satisfy the requirements of the Rate Covenant through Fiscal Year\* (FY) 2021 (the forecast period) taking into account Debt Service on Outstanding Bonds and the proposed 2016D/E Bonds.

This report: (1) describes the economic base that supports air traffic demand; (2) describes the historical and forecast airline traffic activity of the Airport System; (3) describes the financial framework of RIAC; (4) describes passenger facility charge (PFC) collections and revenues, and factors that affect those collections and revenues; (5) summarizes the capital projects to be funded in part with proceeds of the 2016D Bonds and 2016E Bonds; (6) provides scheduled and forecast debt service payments through FY 2021; (7) discusses Airport System revenues and expenses, as well as factors that affect the revenues and expenses; and (8) provides historical and forecast information for debt service coverage, airline rates and charges, and other financial measures through FY 2021.

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\*RIAC's Fiscal Year ends June 30.

Mr. Jonathan Savage and Mr. Peter Frazier  
June 7, 2016

## **PROPOSED 2016D/E BONDS**

RIAC intends to issue approximately \$44.3 million\* of 2016D/E Bonds on a parity basis with all of RIAC's Outstanding Bonds.

According to RIAC, a portion of the proceeds for the 2016D Bonds will be used to pay certain costs of the Runway 5-23 Extension project, as well as for triturator upgrades, an Airport Master Plan update, the demolition of various vacant properties, and the demolition of an old building and the construction of new maintenance building at Quonset Airport. Additionally, portions will also be used to fund deposits to the Capitalized Interest Fund and Debt Service Reserve Fund, as well as pay the costs of issuance for the 2016D Bonds and the underwriter's discount.

A portion of the proceeds for the 2016E Bonds will be used to pay certain costs related to the acquisition of commercial property near the Airport. Additionally, portions will also be used to fund a deposit to the Debt Service Reserve Fund, as well as pay the costs of issuance for the 2016E Bonds and the underwriter's discount.

The 2016D/E Bonds are being issued as General Airport Revenue Bonds, to be repaid from Net Revenues of the Airport System. In addition, the 2016D Bonds will have an additional pledge of PFC revenues upon issuance.

### **Bond Indenture**

The 2016D/E Bonds are to be issued pursuant to the Master Indenture of Trust (the Master Indenture) and the Thirteenth Supplemental Indenture of Trust (the Supplemental Indenture, and together with the Master Indenture, the Indenture) adopted by RIAC as Issuer and U.S. Bank National Association as Trustee.\*\* The Master Indenture specifies requirements for the financial operations of the Airport System, including the Rate Covenant and Conditions for Issuing Additional Obligations. Except as otherwise defined herein, capitalized terms in this report are used as defined in the Indenture or the Airport-Airline Use and Lease Agreements (discussed later).

### **Rate Covenant**

Under Section 804, Rate Covenant of the Master Indenture, RIAC covenants that it will set and adjust the rentals, rates, fees and other charges for the use of the Airport System to be at least sufficient to produce (i) Net Revenues, plus (ii) Pledged PFC Revenue, if any, plus (iii) amounts transferred from the Airport General Purpose Fund to the Revenue Fund, if any, plus (iv) amounts on deposit in any Coverage Account at the beginning of the current Fiscal

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\*\$44.3 million is a preliminary figure and subject to change pending completion of the transaction.

\*\*References in the report to the Indenture, resolutions and ordinances of RIAC, and various leases and agreements entered into by RIAC, do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference thereto.

Mr. Jonathan Savage and Mr. Peter Frazier  
June 7, 2016

Year, if any (collectively, "Amounts Available to Pay Debt Service"), to provide for the greater of either:

- A. The amounts needed for making the required deposits in the Fiscal Year of RIAC to the Principal Accounts, the Interest Accounts, the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Indebtedness Fund (to the extent not otherwise paid from other legally available funds of RIAC) and the Repair and Rehabilitation Fund; or
- B. An amount not less than 125% of the aggregate Annual Debt Service with respect to Outstanding Bonds for such Fiscal Year of RIAC.

"Net Revenues" are defined in the Indenture to mean Revenues less amounts needed to pay T.F. Green Operation and Maintenance Expenses.

### **Conditions for Issuing Additional Bonds**

Section 214, Additional Bonds of the Master Indenture allows for the issuance of Additional Bonds, but only upon compliance with the following conditions:

1. An Airport Consultant has provided to the Trustee a certificate stating that, based upon reasonable assumptions set forth therein, Amounts Available to Pay Debt Service are projected to be not less than 125% of the aggregate Annual Debt Service with respect to Outstanding Bonds (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of the Additional Bonds proposed to be issued) for each of the next five (5) full Fiscal Years of RIAC following issuance of the Additional Bonds, or each full Fiscal Year of RIAC from issuance of the Additional Bonds through two (2) full Fiscal Years of RIAC following completion of the project or projects financed by the Additional Bonds proposed to be issued, whichever is later; provided, however, that if capitalized interest on any Bonds and proposed Additional Bonds is to be applied in the last Fiscal Year of RIAC of the period described in this sentence, the Airport Consultant shall extend the test through the first full Fiscal Year of RIAC for which there is no longer capitalized interest, or
2. An independent certified public accountant has provided to the Trustee a certificate stating that Amounts Available to Pay Debt Service in the most recent completed Fiscal Year of RIAC or any consecutive twelve (12) month period out of the last eighteen (18) months were not less than 125% of (A) Annual Debt Service on Bonds Outstanding in such Fiscal Year of RIAC or such period (disregarding any Bonds that have been paid or discharged or that will be paid or discharged immediately after the issuance of such Additional Bonds proposed to be issued), plus (B) Maximum Annual Debt Service with respect to such Additional Bonds proposed to be issued.

Mr. Jonathan Savage and Mr. Peter Frazier  
June 7, 2016

The 2016D/E Bonds are considered Additional Bonds under Section 214 of the Master Indenture and, as such, RIAC is required to retain an Airport Consultant to demonstrate compliance with certain conditions for issuing Additional Bonds. RIAC retained LeighFisher as the Airport Consultant for the purpose of determining compliance with the requirements of condition 1 above in connection with the issuance of the 2016D/E Bonds. This report provides the certificate with respect to condition 1 above.

## **CAPITAL IMPROVEMENT PROGRAM**

The largest component of RIAC's current capital program is the Runway 5-23 Extension. The Runway 5-23 Extension represents expenditures of \$92.5 million. When completed, the Runway 5 end will be extended south by approximately 1,530 feet to a total length of 8,700 feet.

In addition to the Runway 5-23 Extension, RIAC's current capital program for the Airport System which extends from FY 2017 through FY 2021 (the Capital Improvement Program, or CIP) also includes other projects that RIAC is currently implementing and may implement in the future, as described further in the report. RIAC's planned funding sources for the other projects in the CIP include PFC revenues, federal grants, and RIAC funds.

According to RIAC, the other projects in the CIP would be implemented as necessary, based on demand and available funds. No Additional Bond issuance during the forecast period (beyond the 2016D/E Bonds) was assumed for purposes of this report.

## **AIRLINE AGREEMENTS**

RIAC and the airlines serving the Airport have executed Airport-Airline Use and Lease Agreements (collectively, the Airline Agreement) effective July 1, 2015. The Airline Agreement is substantially similar to the previous agreement which had been in effect since July 1, 2010. Under the Airline Agreement, the Signatory Airlines pay Terminal Rental Rates calculated according to a commercial compensatory methodology. Landing fees are calculated according to a cost center residual methodology. The Airline Agreement includes a provision for "extraordinary coverage protection" which permits RIAC to adjust airline rentals, fees, and charges upon 30 days written notice to the Signatory Airlines if notice if RIAC estimates it will not meet the Rate Covenant.

The Airline Agreement extends for a five-year period through the end of FY 2020. For purposes of the forecasts in this report, it was assumed that the provisions of the Airline Agreement regarding the setting of airline rentals, fees, and charges will remain materially unaltered and will be extended through at least FY 2021, which is the end of the forecast period.

Under the Airline Agreement, RIAC has agreed to consult with the Signatory Airlines on an annual basis, or as otherwise necessary, regarding planned capital projects at the Airport. The decision to proceed with any planned capital projects is at the sole discretion of RIAC.

Mr. Jonathan Savage and Mr. Peter Frazier  
June 7, 2016

## **SCOPE OF REPORT**

In conducting the study, we analyzed the following among other things:

- Historical and future airline traffic demand at the Airport, considering the economic characteristics of the region served by the Airport, historical trends in airline traffic, and key factors that will affect future traffic
- The estimated sources and uses of funds for the CIP and estimated Annual Debt Service, including the sources and uses of funds and estimated debt service for the 2016D/E Bonds as prepared by Public Financial Management, Inc.
- Historical relationships between Net Revenues, Operation and Maintenance Expenses, and Airport activity, as well as other factors that may affect future Net Revenues and Operation and Maintenance Expenses
- RIAC's audited financial results for FY 2014 and FY 2015, unaudited partial-year financial results for FY 2016, and budgeted financial performance for FY 2016
- RIAC's policies and contractual agreements relating to the use of Airport System facilities; the calculation and adjustment of airline rentals, fee, and charges; the operating of public automobile parking, rental car, and other concession services; and the leasing of buildings and grounds
- RIAC's historical practices and future plans with regard to designating certain revenue sources as Pledged PFC Revenues
- Historical and forecast PFC collections, interest income and expenditures

We also assisted RIAC staff in identifying the key factors upon which the future financial results of the Airport System may depend and in formulating assumptions about those factors. On the basis of these assumptions, we assembled the financial forecasts presented in the exhibits at the end of this report.

We have relied upon RIAC and its consultants for estimates of project costs, funding sources, and construction schedules and upon Public Financial Management, Inc., RIAC's financial advisor, for the plan of debt finance and the estimated Annual Debt Service on the proposed 2016D/E Bonds. The forecasts take into account the Operation and Maintenance Expenses and Net Revenues associated with implementing the projects in the CIP. The financial forecasts are predicated on the assumption that RIAC will collect all airline rentals and fees required by the provisions of the Airline Agreement through the forecast period.

Mr. Jonathan Savage and Mr. Peter Frazier  
June 7, 2016

## **SUMMARY OF FORECAST RESULTS**

Based on our review, we have concluded that:

- Enplaned passengers at the Airport decreased at an average annual rate of 3.4% per year from FY 2010 through FY 2015, but are forecast to increase at an average annual rate of 1.5% from FY 2016 through FY 2021 (see Table 7 and Table 13 in the accompanying attachment)
- Airline payments per enplaned passenger (costs per enplanement) are projected to slightly increase compared to their historical levels and remain stable through the end of the forecast period (see Exhibit E-1 in the accompanying attachment)
- Net Revenues are forecast to be sufficient to satisfy the requirements of the Rate Covenant in each year of the forecast period (see Exhibit G in the accompanying attachment)

### **Assumptions Underlying the Financial Forecasts**

The forecasts presented in this report are based on information and assumptions that were provided by or reviewed with and agreed to by RIAC management. The forecasts reflect RIAC management's expected course of action during the forecast period and, in RIAC management's judgment, present fairly the expected financial results of the Airport System. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the report. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

# Leigh|Fisher

Mr. Jonathan Savage and Mr. Peter Frazier  
June 7, 2016

\* \* \* \* \*

We appreciate the opportunity to serve as RIAC's Airport Consultant on this proposed financing.

Respectfully submitted,

A handwritten signature in black ink that reads "Leigh Fisher". The signature is written in a cursive, flowing style.

LEIGHFISHER

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Attachment

BACKGROUND, ASSUMPTIONS, AND RATIONALE  
FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

RHODE ISLAND COMMERCE CORPORATION  
GENERAL AIRPORT REVENUE BONDS  
Series 2016D and 2016E Bonds

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## **1. AIRLINE TRAFFIC ANALYSIS**

This section presents a summary of Airport facilities, discusses the region served by T.F. Green Airport and the Airport role, presents the economic basis for airline traffic at the Airport, summarizes historical airline service and traffic at the Airport, discusses the key factors that will affect future airline traffic, and then summarizes the airline traffic forecasts for the Airport through Fiscal Year (FY) 2021 (for Fiscal Years ending June 30).

### **1.1 AIRPORT FACILITIES**

T.F. Green Airport has been in service since 1931 and is located on approximately 1,100 acres approximately ten miles south of Providence's central business district. The Airport is situated completely within the boundaries of the City of Warwick. Highway access to the Airport is provided via Interstate Route 95, with the terminal building entrance located approximately 1 mile southeast of the Interstate.

The Airport's airline passenger terminal encompasses approximately 402,000 square feet. Of the 21 gates, 19 are capable of being equipped with loading bridges. The first level of the terminal provides baggage claim facilities and processes arriving international passengers at the Airport's Federal Inspection Services (FIS) facility. The second level provides services for departing passengers, including ticketing, passenger security screening, concessions, and departure lounges.

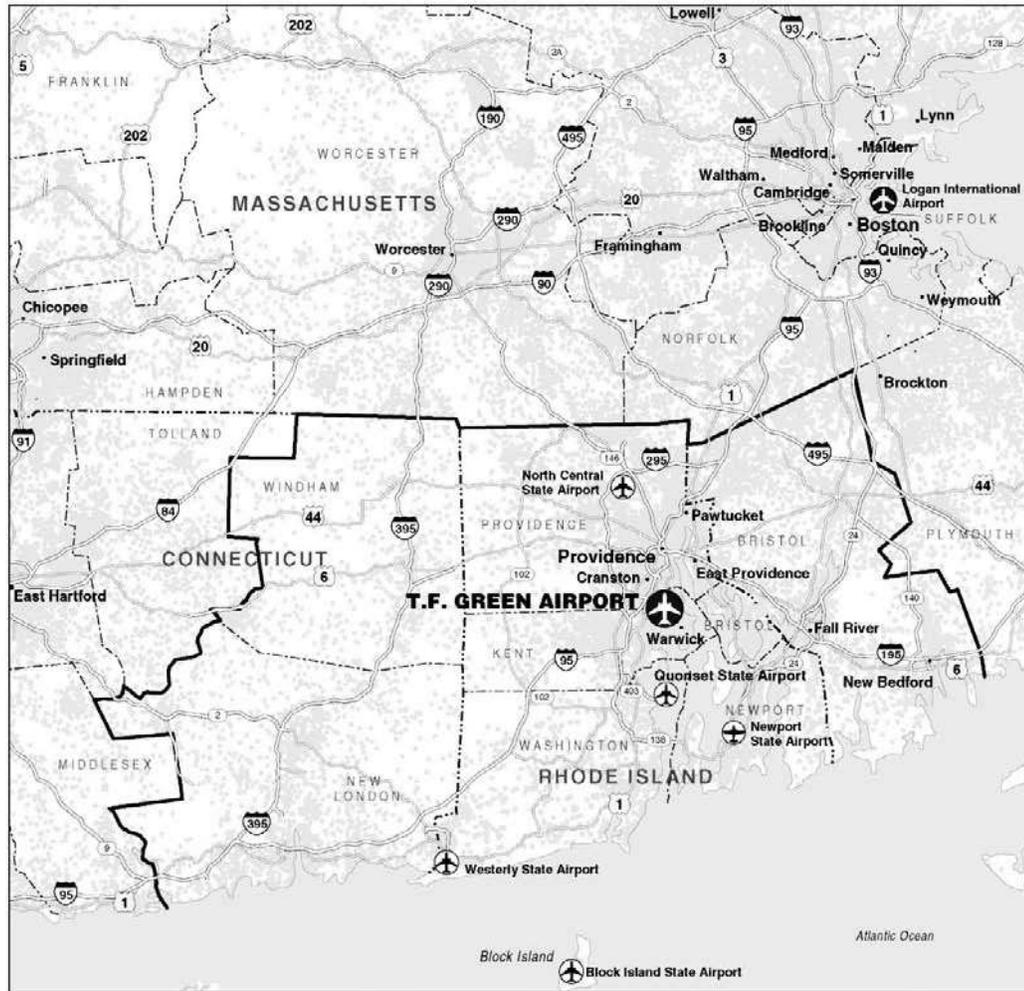
The Airport has two intersecting runways, Runway 5-23 and Runway 16-34, which are 7,166 and 6,081 feet in length, respectively. Runway 5-23 has centerline lighting and is the primary air carrier runway. In addition, RIAC is currently in the process of extending Runway 5-23 to a length of 8,700 feet in length to accommodate larger, heavier aircraft and enable longer routes. Runway 16-34 is used primarily during cross wind conditions. Other facilities at the Airport include fuel storage areas, facilities for fixed base operators, certain rental car service facilities, air freight and air cargo facilities, various hangars and other aviation-related facilities.

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

### **1.2 AIRPORT SERVICE REGION**

As shown on Figure 1, the primary geographical area served by the Airport consists of eight counties—five in Rhode Island (Bristol, Kent, Newport, Providence, and Washington), two in Connecticut (New London and Windham), and Bristol County in Massachusetts (the Providence Area). According to the U.S. Department of Commerce, Bureau of the Census, the population of the Providence Area was 2.0 million in 2015 as shown on Table 1, accounting for about 14% of New England's total population of 14.7 million. Providence County includes the City of Providence and accounts for about 32% of the population of the

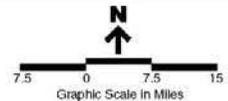
Figure 1  
AIRPORT SERVICE REGION



**LEGEND**

- Primary area
- Population density: 1 dot represents 100 people
- Large, medium, or small hub airport (as defined by the FAA for FFY 2016)
- Other commercial service airport
- General aviation airport
- State boundary
- County boundary

Source: U.S. Census data, 2010.



Road miles from Providence to:	
Boston	51
Hartford	74
Manchester	105
Portland	117
Worcester	44

Table 1  
**POPULATION DISTRIBUTION IN THE PROVIDENCE AREA**  
 2015

<u>State/County</u>	<u>Population</u>	<u>Percent of total</u>
Rhode Island		
Providence	633,473	31.6%
Kent	164,801	8.2%
Washington	126,517	6.3%
Newport	82,423	4.1%
Bristol	<u>49,084</u>	<u>2.5%</u>
	1,056,298	52.8%
Connecticut		
New London	271,863	13.6%
Windham	<u>116,573</u>	<u>5.8%</u>
	388,436	19.4%
Massachusetts		
Bristol	<u>556,772</u>	<u>27.8%</u>
Total	2,001,506	100.0%

Source: U.S. Department of Commerce, Bureau of the Census,  
 accessed April 2016, [www.census.gov](http://www.census.gov).

Providence Area, as reflected graphically by the population densities shown on Figure 1. Because economic growth and activity within this area stimulate a significant portion of passenger demand at the Airport, statistics for the Providence Area were used to evaluate certain long-term and future airline traffic trends at the Airport.

The secondary region served by the Airport, which includes many of the counties surrounding the Providence Area, is defined by the location of (and the airline service offered at) other “nearby” air carrier airports, including Boston Logan International Airport and Worcester Airport in Massachusetts and Hartford’s Bradley International Airport in Connecticut. The secondary region extends to the north and east into Hampden, Norfolk, Plymouth, and Worcester counties in Massachusetts and to the west into Middlesex and Tolland counties in Connecticut. Limited passenger service with turboprop aircraft has been provided from Block Island Airport to Providence.

The average numbers of daily departures from each of these airports, as currently scheduled for July 2016, are listed in Table 2. Because a large number of the Airport’s passengers originate in the Providence Area, the economy of this area is discussed in more detail in the sections that follow. Boston Logan International Airport, 51 road miles from Providence, is the most frequently considered alternative to T.F. Green Airport among residents of and visitors to the Providence Area because of its relative proximity and its level of service.

Table 2  
**SCHEDULED AIRLINE SERVICE AT AIRPORTS NEAR PROVIDENCE**  
 July 2016

Airport location	Driving distance from Providence (miles)	Average daily passenger airline nonstop departures				Total
		Mainline carriers	Regional affiliates	Low cost carriers	Foreign-flag airlines	
Providence	--	12	22	21	1 (a)	55
Boston	51	241	120	192	64	553
Hartford	74	37	29	28	6	94
Manchester	105	1	23	14	--	38
Worcester	44	--	--	2	--	2

(a) Reflects weekly service by Condor Flugdienst, SATA International, and TACV Cabo Verde airlines.

Source: OAG Aviation Worldwide Ltd, OAG Analyser, accessed April 2016.

### 1.3 AIRPORT ROLE

As discussed in the following sections, the Airport is the primary commercial service airport serving the State of Rhode Island and the adjacent states of Connecticut and Massachusetts, with 1.8 million enplaned passengers in FY 2015. The FAA classifies the Airport as a small air traffic hub airport\* in the national air transportation system. According to the FAA, the Airport ranked as the 64th largest passenger airport in the United States in calendar year 2014 in terms of total passengers.\*\*

In FY 2015, approximately 99% of passengers at the Airport were origin-destination (O&D) passengers (i.e., these O&D passengers did not connect with another flight at the Airport); The Airport's large O&D passenger base reflects the strength of the Providence Area's economy.

### 1.4 ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of the Providence Area is an important determinant of long-term passenger demand at the Airport. The development and diversity of the economic base of an airport service region are both important to passenger traffic growth at the airport serving that region. This is particularly true where the industries in the region rely on the airport for passenger and cargo service. The Providence Area has a diverse economic base and is a business, trade, and government center.

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\*A small hub is defined by the FAA as a community that enplanes less than 0.25% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States.

\*\*This ranking excludes Canadian airports.

The following sections present a discussion of the economic basis for airline traffic at the Airport—historical and projected population, employment, and per capita personal income of the Providence Area; industry clusters, and the travel industry—and a summary of the economic outlook for the United States, New England, and the Providence Area.

#### **1.4.1 Population, Nonagricultural Employment, and Per Capita Personal Income**

Table 3 presents comparative trends in population, nonagricultural employment, and per capita personal income in the Providence Area, New England, and the United States in 1990 through 2015 and projected growth rates through 2021.

**Population.** As shown in Table 3, from 1990 through 2015, the population of the Providence Area increased an average of 0.3% per year, slower than growth rates for New England and the nation. Population in the Providence Area is projected to increase an average of 0.2% per year between 2015 and 2020, slower than rates for New England and the nation.

**Nonagricultural Employment.** From 1990 to 2015, nonagricultural employment in the Providence Area increased an average of 0.3% per year, slower than growth in New England and the nation, as shown in Table 3. Between 2000 and 2010, nonagricultural employment growth in the Providence Area decreased (an average decrease of 0.6%), reflecting the effects of the national economic recessions in 2001 and 2008 through 2009. Since 2010, the Providence Area has experienced a continued economic recovery with increases in nonagricultural employment in each year. Nonagricultural employment in the Providence Area and New England is projected to increase an average of 1.0% per year between 2015 through 2021, faster than growth rates for the nation.

**Per Capita Personal Income.** As shown in Table 3, per capita personal income (in 2014 constant dollars) in the Providence Area increased an average of 1.1% per year between 1990 and 2014. In 2014 (the most recent year available for counties), the average per capita income in the Providence Area increased 2.7% and exceeded that for the nation. Per capita personal income in the Providence Area is projected to increase an average of 1.1% per year between 2014 through 2021, slower than that for New England and the nation.

**Nonagricultural Employment by Industry Sector.** Figure 2 shows a comparative distribution of nonagricultural employment by industry sector for the Providence Area in 2000 and in 2015, and for New England and the nation in 2015. Employment in services (50.5%)—including business and financial, education, health, and other services, such as leisure and hospitality—and trade (14.7%) accounted for 65.2% of total nonagricultural employment in the Providence Area in 2015.

Table 3  
**HISTORICAL AND PROJECTED SOCIOECONOMIC TRENDS**  
 Providence Area, New England, and United States  
 1990-2021

	Population (thousands)			Nonagricultural employment (thousands)			Per capita personal income in 2014 dollars		
	Providence Area	New England	United States	Providence Area (a)	New England	United States	Providence Area	New England	United States
1990	1,867	13,207	248,710	647	6,362	109,527	36,023	41,233	35,486
2000	1,951	13,922	281,425	710	7,033	132,024	41,299	50,734	42,071
2010	1,993	14,445	308,746	672	6,804	130,361	45,405	54,277	43,728
2011	1,993	14,527	311,719	675	6,867	131,932	45,803	55,214	44,679
2012	1,996	14,580	314,103	679	6,951	134,175	46,529	56,500	45,643
2013	1,996	14,637	316,427	687	7,036	136,381	45,963	55,467	45,159
2014	1,999	14,690	318,907	695	7,136	138,958	47,187	56,798	46,049
2015	2,002	14,728	321,419	703	7,230	141,865	n.a.	58,793	47,613
Projected 2021	2,022	15,022	337,161	746	7,654	147,330	50,887	63,234	51,170
	Percent increase (decrease)								
2010-2011	(0.0%)	0.6%	1.0%	0.4%	0.9%	1.2%	0.9%	1.7%	2.2%
2011-2012	0.2	0.4	0.8	0.7	1.2	1.7	1.6	2.3	2.2
2012-2013	0.0	0.4	0.7	1.1	1.2	1.6	(1.2)	(1.8)	(1.1)
2013-2014	0.1	0.4	0.8	1.3	1.4	1.9	2.7	2.4	2.0
2014-2015	0.1	0.3	0.8	1.1	1.3	2.1	n.a.	3.5	3.4
	Compound annual percent increase (decrease)								
1990-2000	0.4%	0.5%	1.2%	0.9%	1.0%	1.9%	1.4%	2.1%	1.7%
2000-2010	0.2	0.4	0.9	(0.6)	(0.3)	(0.1)	1.0	0.7	0.4
2010-2015	0.1	0.4	0.8	0.9	1.2	1.7	1.0 (b)	1.6	1.7
1990-2015	0.3	0.4	1.0	0.3	0.5	1.0	1.1 (b)	1.4	1.2
2015-2021	0.2	0.3	0.8	1.0	1.0	0.6	1.1 (b)	1.2	1.2

n.a. = not available.

Note: The Providence Area consists of eight counties—five in Rhode Island (Bristol, Kent, Newport, Providence, and Washington), two in Connecticut (New London and Windham), and Bristol County in Massachusetts. New England includes Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

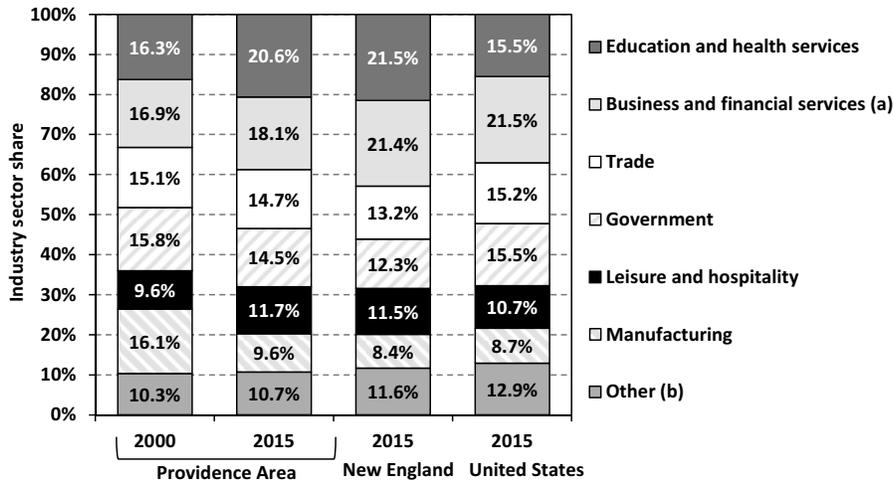
(a) Data are for the Providence-Warwick New England City and Town Area (NECTA) and the Norwich-New London-Westerly, CT-RI NECTA defined on the basis of New England towns instead of entire counties.

(b) Represents the increase from 2014.

Sources: Historical: U.S. Department of Commerce, Bureau of the Census, [www.census.gov](http://www.census.gov), U.S. Department of Labor, Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov), and U.S. Department of Commerce, Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), accessed April 2015. Income adjusted to constant 2014 dollars using the U.S. Department of Labor, Consumer Price Index for Urban Consumers (1982-84 = 100), [www.bls.gov](http://www.bls.gov).

Projected growth rates: Population—Rhode Island Statewide Planning Program, Rhode Island Population Projections 2010-2040, Technical Paper 162, April 2013, Connecticut State Data Center, State of New Hampshire, Office of Energy and Planning, Regional Planning Commissions, County Population Projections, 2013, Governor's Office of Policy and Management, Maine Population Outlook to 2030, February 2013, State of Vermont, and Vermont Population Projections 2010 - 2030, August 2013. Employment—State labor departments for Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont, Employment Projections, 2012-2022 and U.S. Bureau of Labor Statistics, Employment Projections program, 2014-2024, [www.bls.gov](http://www.bls.gov). Income—Woods & Poole, Economic and Demographic Projections, 2013.

Figure 2  
**COMPARATIVE DISTRIBUTION OF NONAGRICULTURAL EMPLOYMENT**



Note: Data are for the Providence-Warwick New England City and Town Area (NECTA) and the Norwich-New London-Westerly, CT-RI NECTA defined on the basis of New England towns instead of entire counties.

(a) Includes professional and business services, financial activity, and information.

(b) Includes mining, construction, transportation and public utilities, and other services.

Source: U.S. Department of Labor, Bureau of Labor Statistics, accessed April 2016, [www.bls.gov](http://www.bls.gov).

**Unemployment Rates.** In addition to the employment trends cited above, the unemployment rate is also indicative of the general economic climate. Table 4 shows comparative annual unemployment rates in the Providence Area, New England, and the nation as a whole for 2000 through 2015. The unemployment rate in the Providence Area has generally followed overall unemployment trends but remained higher than that in New England and the nation in 2005 through 2015. In 2009, unemployment rates in the Providence Area, New England, and the nation increased considerably as a result of the national economic recession. Since 2009, Providence Area unemployment rates have decreased, remaining higher than the New England and the nation.

Since 2013, monthly unemployment rates in the Providence Area, New England, and the United States have decreased, as shown on Figure 3. In January 2016, the Providence Area unemployment rate was 6.3%, higher than New England (5.1%) and the nation (5.3%).

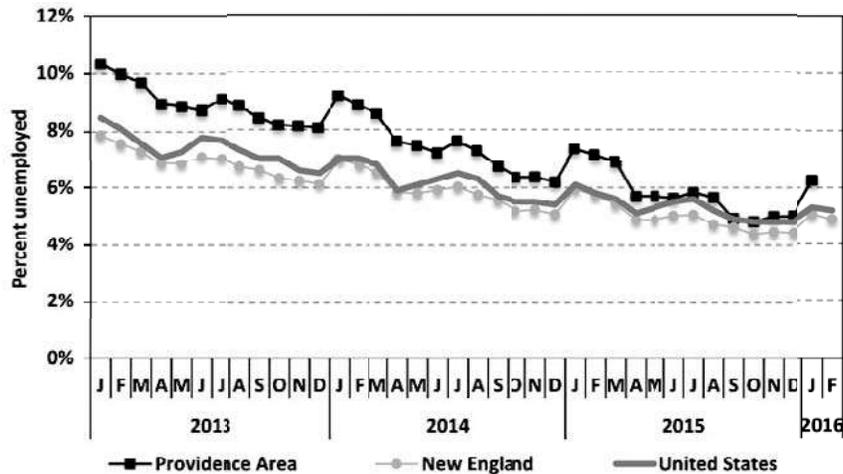
**Table 4**  
**COMPARATIVE UNEMPLOYMENT RATES**

	Providence Area	New England	United States
2000	4.0%	2.8%	4.1%
2001	4.7	3.6	4.8
2002	5.3	4.8	5.8
2003	5.6	5.3	6.0
2004	5.4	4.9	5.6
2005	5.3	4.7	5.2
2006	5.2	4.5	4.7
2007	5.4	4.5	4.7
2008	7.7	5.5	5.8
2009	11.1	8.0	9.3
2010	11.1	8.4	9.6
2011	10.7	7.7	9.0
2012	10.0	7.2	8.1
2013	9.1	6.9	7.4
2014	7.5	5.9	6.2
2015	5.8	5.0	5.3

Note: Unemployment rates are not seasonally adjusted and represent annual averages. Providence Area data are for the Providence-Warwick New England City and Town Area (NECTA) and the Norwich-New London-Westerly, CT-RI NECTA defined on the basis of New England towns instead of entire counties.

Source: U.S. Department of Labor, Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov), accessed April 2016.

**Figure 3**  
**MONTHLY UNEMPLOYMENT RATES**



Note: Unemployment rates are not seasonally adjusted. Providence Area data are for the Providence-Warwick New England City and Town Area (NECTA) which is defined on the basis of New England towns instead of entire counties.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, [www.bls.gov](http://www.bls.gov), accessed April 2016.

**Major Employers.** Table 5 lists the largest employers in Rhode Island. Of the 25 employers listed, 9 are private companies headquartered in Rhode Island. The list of major employers reflects the diversity of the companies and organizations in the State.

Table 5  
**RHODE ISLAND LARGEST EMPLOYERS**

Employer	Product or service	Employees
Rhode Island State Government	Government	14,904
Lifespan (a)	Health	11,869
U.S. Government	Government	11,581
Roman Catholic Diocese of Providence	Religion	6,200
Care New England	Health	5,953
CVS Corporation (a)	Pharmaceuticals	5,800
Citizens Financial Group Inc. (a)	Finance	4,991
Brown University	Education	4,800
Stop and Shop Supermarket	Retail	3,632
Bank of America	Finance	3,500
Fidelity Investments	Finance	2,934
Rhode Island ARC (a)	Health	2,851
Metropolitan Life Insurance Co.	Insurance	2,604
General Dynamics Corp.	Defense	2,243
University of Rhode Island	Education	2,155
Wal-Mart	Retail	2,078
The Jan Companies (a)	Food Service	2,050
Shaw's Supermarkets	Retail	1,900
St. Joseph Health Service of RI (a)	Health	1,865
The Home Depot, Inc.	Retail	1,780
Hasbro, Inc. (a)	Manufacturing	1,750
Memorial Hospital of RI (a)	Health	1,488
Roger Williams Medical Center (a)	Health	1,470
Roger Williams University	Education	1,452
Raytheon	Defense	1,430

(a) Headquartered in Rhode Island.

Source: Greater Rhode Island, Leading Employers by All Sectors and Individual Sectors, [www.greaterri.com](http://www.greaterri.com).

### 1.4.2 Rhode Island Economic Growth Centers

Rhode Island’s economic growth centers are places and industries where Rhode Island already has a strong competitive advantage, including financial services, Rhode Island’s ports, Providence’s Knowledge District, tourism, and ocean and defense industries, according to the Rhode Island Commerce Corporation.\* The State's Growth Centers are

\*The Rhode Island Commerce Corporation’s mission is to work with public, private and non-profit partners to create the conditions for businesses in all sectors to thrive and to improve the quality of life for citizens by promoting the State's long-term economic health and prosperity.

supported by a physical infrastructure of available land, building, utility, telecommunications and transportation access.

**Financial Services.** The financial services sector is diverse, including large and small companies and those engaged with all aspects of banking, insurance, investment and trust activity. Leading financial institutions in Rhode Island include Amica Insurance, Citizens Bank, Fidelity and FM Global. In addition, the universities located in Rhode Island—Bryant University, Brown University, Johnson and Wales University, Providence College and the University of Rhode Island—offer undergraduate and graduate programs in business, management and related majors, ensuring a strong flow of new talent into the industry each year.

**Rhode Island Ports.** Rhode Island's three ports in Davisville, Newport, and Providence are important to the Providence Area economy. The Port of Providence (or ProvPort) is one of two deep water ports in New England (Port of New Haven is the other) and generates an estimated \$200 million total economic impact on the region, according to ProvPort. The Port of Davisville, located 23 miles south of Providence, is home to Quonset Business Park and more than 200 companies including North Atlantic Distribution, one of the largest auto importers in North America serving as a port of entry, processing center, and distribution hub. The Port of Newport supports tourist and recreational activities, serves as a cruise port of call, and is home to the U.S. Naval War College and Naval Undersea Warfare Center.

**Providence Knowledge District.** Located near downtown, Providence's Knowledge District consists of 600 acres made available from the relocation of a section of I-195 and the revitalization of the City's historical jewelry district. Brown University opened two new life science facilities in the Knowledge District—the Laboratories for Molecular Medicine in 2004 and The Warren Alpert Medical School in 2011. In addition, the Knowledge District is also home to an expansion by Hasbro (a toy company headquartered in Pawtucket), the Institute for Computational and Experimental Research in Mathematics, and Rhode Island Hospital's Center for Stem Cell Biology.

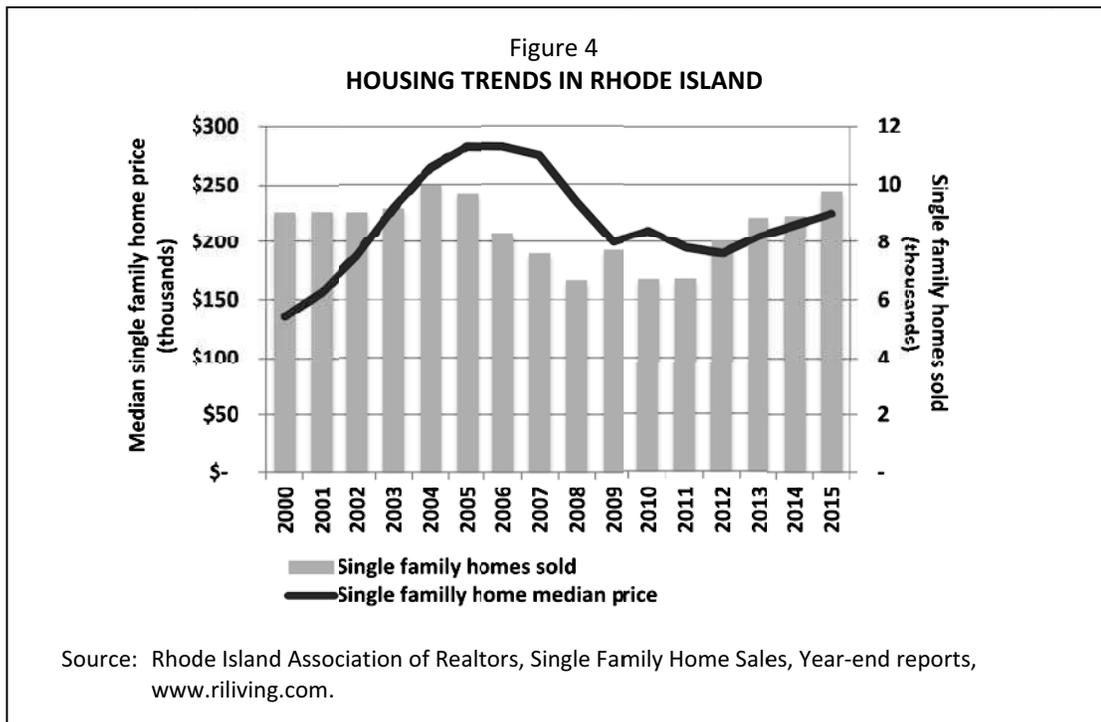
**Tourism.** Travel and tourism is one of Rhode Island's most valued industries, supporting 66,616 jobs and \$5.9 billion in spending in 2013, according to the Rhode Island Tourism Division. Rhode Island's tourist attractions include more than 100 beaches and 400 miles of shoreline, Narragansett Bay, the largest yachting center in New England, and the largest concentration of historic landmarks in the United States. The City of Providence is no more than a 30-minute drive from anywhere in the State.

**Ocean Industries.** Rhode Island is a center of expertise for marine businesses, including traditional and modern boat builders, sailmakers, hardware and component manufacturers, riggers, marinas and other services. Leading marine companies in Rhode Island include Bristol Boat Company, General Dynamic's Electric Boat Facility at Quonset Point, and Senesco Marine, builder of barges, tugboats, and other vessels. In addition, the University of Rhode Island's Marine Science Research Facility at its Narragansett Bay Campus and serves as a platform for experiential learning, undergraduate and graduate student training, research, and outreach.

**Defense Industries.** Rhode Island’s defense sector supports multiple Department of Defense and Homeland Security needs with a highly connected network of companies, ranging from multinational corporations to start-ups that are moving out of the lab and into the marketplace. The Naval Undersea Warfare Center, located in Newport, engineers, builds and supports the U.S. fleet of ships and submarine warfare systems. Major defense-related corporations with a Rhode Island presence are Textron Inc., General Dynamics, and Raytheon.

### 1.4.3 Housing

Trends in the housing market in a region generally follow economic cycles and are an indicator of overall economic activity that will, in turn, help to spur air travel demand. During the 2008-2009 economic recession, the median single family housing price in Rhode Island decreased 27% between 2007 and 2009, reflecting the effects of U.S. subprime mortgage crisis and the financial credit crisis, as shown on Figure 4. Subsequently, the median single family housing price in Rhode Island continued to decrease, reaching a low in 2012. The number of single family homes sold followed the trend in housing prices, decreasing from a high in 2004 to a low in 2010, amid annual fluctuations. From 2012 to 2015, Rhode Island’s median housing price increased 18%, remaining below pre-recession price levels, and the number of homes sold increased 22% during the same period.



#### 1.4.4 Economic Outlook

The economic outlook for the United States, New England, and the Providence Area forms a basis for anticipated growth in airline traffic at the Airport. Economic activity in the Providence Area and New England is directly linked to the production of goods and services in the rest of the United States. Both airline travel and the movement of cargo through the Airport depend on the economic linkages between and among the regional, national, and global economies. The economic and other assumptions underlying the forecasts of enplaned passengers are based on a review of national and regional economic outlooks as well as an analysis of historical socioeconomic trends and airline traffic trends.

**U.S. Economy.** The U.S. economy has grown at a slow to moderate pace since the 2008-2009 economic recession. In January 2016, the Congressional Budget Office (CBO) projected U.S. economic growth, as measured by U.S. GDP in constant dollars, to increase 2.5% in 2016 and 2.6% in 2017, and then settle into a longer-term 2.0% rate of growth through 2021. The CBO projects that the unemployment rate will decrease to 4.7% in 2016 and 4.4% in 2017, then increase to 4.6% in 2017, 4.8% in 2018, and average 5.0% through FY 2021.\*

**New England Economy.** The New England Economic Partnership\*\* forecasts stronger economic growth in New England through 2018, including:

- An average increase of 2.6% per year in New England's gross state product between 2014 and 2018, compared with an average increase of 1.4% between 2010 and 2014.
- Employment growth of 1.4% per year between 2014 and 2018, compared with an average increase of 1.2% per year between 2010 and 2014.
- A decrease of 1.6% in New England's unemployment rate by 2018, compared with a decrease of 1.7% between 2010 and 2014.

**Providence Area Economy.** Rhode Island's five counties account for more than half of the population and employment in the Providence Area. The New England Economic Partnership expects that the pace of growth in Rhode Island will continue to be slow and forecasts:

- An average increase of 1.8% per year in Rhode Island's gross state product between 2014 and 2018, compared with an average increase of 2.4% between 2008 and 2014.

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\*Congressional Budget Office, Economic Outlook: Fiscal Years 2016-2026, January 2016, [www.cbo.gov](http://www.cbo.gov).

\*\*The New England Economic Partnership is a non-profit, non-partisan member organization dedicated to enhancing the understanding of economic development challenges facing New England through its economic forecasts and by convening regional leaders to develop strategies that support the continuing prosperity and vitality of the region. Data are from the October 2015 forecast.

- Employment growth of 0.5% per year between 2014 and 2018, compared with an average decrease of 0.4% per year between 2008 and 2014.
- Rhode Island's unemployment rate is forecast to decrease to 5.3% in 2018, but remain higher than that for New England.

**Economic Basis for Airline Traffic Forecasts.** Factors expected to contribute to economic growth in the Providence Area and associated increases in airline travel include (1) the diversity in the economic base, which lessens its vulnerability to weaknesses in particular industry sectors, (2) growth in Rhode Island's existing and emerging economic growth centers described earlier, (3) continued growth in the professional services sector, (4) an educated labor force able to support the development of knowledge-based and service industries, and (5) continued reinvestment to support the development of tourism, conventions, and other businesses. This outlook is reflected in the airline traffic forecasts presented in Section 1.7 of this Report.

## **1.5 HISTORICAL AIRLINE SERVICE AND TRAFFIC**

Airlines serving the Airport; enplaned passenger trends; airline shares of passengers; origin-destination markets; airline service at the Airport; airline fares and yields; and historical air cargo are discussed in this section.

### **1.5.1 Airlines Serving the Airport**

As of July 2016, three U.S. mainline passenger airlines, seven regional airlines, two low cost carriers, and three foreign-flag airlines provided service at the Airport, as shown in Table 6. In addition, three airlines provided all-cargo service.

### **1.5.2 Enplaned Passenger Trends**

Table 7 and Figure 5 present trends in enplaned passengers at the Airport between FY 2000 and FY 2015 and during the first seven months of FY 2016 (July through January). The number of enplaned passengers increased an average of 1.5% between FY 2000 and FY 2005, from 2,651,589 to a peak of 2,858,917, driven by an average increase of 8.5% per year in low-cost carrier passengers compared with an average decrease of 2.0% per year in network airline passengers (mainline airlines and regional affiliates). A key trend that emerged between FY 2000 and FY 2005 was the substitution of mainline (large jet) service with regional affiliate (turboprop and small regional jet) service in an effort to compete with the low cost service provided at the Airport primarily by Southwest Airlines.

From FY 2005 to FY 2010, the total number of passengers enplaned at the Airport decreased an average of 6.7% per year, in part as a result of the national economic recession in 2008 and 2009, the fuel price spike in 2008, and airline capacity reductions nationwide and at the Airport. Similar to industry trends nationwide, regional airlines accounted for an increasing share of airline service at the Airport during this period as mainline airlines substituted regional aircraft, primarily regional jets, for mainline narrowbody aircraft.

Table 6  
**AIRLINES SERVING PROVIDENCE**  
 July 2016

Mainline carriers	Low cost carriers
American Airlines (a) Delta Air Lines United Airlines	JetBlue Airways Southwest Airlines
Regional airlines	Foreign-flag airlines
Air Wisconsin (American) Envoy Air (American) ExpressJet Airlines (United) Mesa Airlines (United) PSA Airlines (American) Republic Airlines (American) (b) Shuttle America (United)	Condor Flugdienst (c) SATA International-Azores Airlines (d) TACV Cabo Verde Airlines (c)
	All-cargo airlines
	FedEx United Parcel Service Wiggins Airways (e)

- (a) Merged with US Airways in 2015.  
 (b) Filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code on February 26, 2016.  
 (c) Added new service in June 2015.  
 (d) Added new service in June 2016.  
 (e) Wiggins Airways flies on behalf of FedEx.

Sources: OAG Aviation Worldwide Ltd., online database, accessed April 2016 and Rhode Island Airport Corporation records.

From FY 2010 to FY 2015, the numbers of enplaned passengers at the Airport decreased an average of 2.6% per year, reflecting competitive airline service and airfares offered at nearby airports located in Boston and Hartford most likely contributed to a decreasing number of passengers at the Airport since 2010.

Passenger traffic increased 2.1% during the first nine months of FY 2016 (July through March), reflecting new international service and increases in passenger load factors (the percent of occupied seats).

### 1.5.3 Airline Shares of Passengers

Table 8 shows the airline market shares of enplaned passengers at the Airport from FY 2010 and FY 2015. Figure 6 illustrates the change to market shares in FY 2000 and FY 2015. In FY 2015, Southwest Airlines enplaned the largest share of passengers at the Airport (46.2%), followed by American (mainline and regional affiliates) with 23.6%. The market shares of the mainline airlines, regional affiliates, and low cost carriers remained relatively unchanged between FY 2010 and FY 2015, as shown on Table 8.

Table 7  
**HISTORICAL ENPLANED PASSENGERS**  
T.F. Green Airport

Fiscal Year	Network airlines			Low cost carriers	Total
	Mainline airlines (a)	Regional airlines	Total		
2000	1,650,233	235,607	1,885,840	765,749	2,651,589
2001	1,657,349	274,002	1,931,351	880,199	2,811,550
2002	1,501,233	277,295	1,778,528	910,321	2,688,849
2003	1,470,989	237,079	1,708,068	938,910	2,646,978
2004	1,403,210	216,408	1,619,618	1,006,043	2,625,661
2005	1,358,937	346,332	1,705,269	1,153,648	2,858,917
2006	1,093,699	401,130	1,494,829	1,275,603	2,770,432
2007	739,900	545,909	1,285,809	1,239,183	2,524,992
2008	576,059	602,171	1,178,230	1,301,724	2,479,954
2009	508,451	579,754	1,088,205	1,173,495	2,261,700
2010	459,815	511,156	970,971	1,054,173	2,025,144
2011	485,585	466,537	952,122	999,458	1,951,580
2012	449,932	500,305	950,237	964,591	1,914,828
2013	396,808	472,108	868,916	984,789	1,853,705
2014	418,960	454,771	873,731	972,445	1,846,176
2015	406,938	408,112	815,050	961,374	1,776,424
July-March					
2015	309,083	300,155	609,238	709,690	1,318,928
2016	338,826	273,050	611,876	735,310	1,347,186
Percent increase (decrease)					
2010-2011	5.6%	(8.7%)	(1.9%)	(5.2%)	(3.6%)
2011-2012	(7.3)	7.2	(0.2)	(3.5)	(1.9)
2012-2013	(11.8)	(5.6)	(8.6)	2.1	(3.2)
2013-2014	5.6	(3.7)	0.6	(1.3)	(0.4)
2014-2015	(2.9)	(10.3)	(6.7)	(1.1)	(3.8)
2015-2016 (b)	9.6	(9.0)	0.4	3.6	2.1
Compound annual percent increase (decrease)					
2000-2005	(3.8%)	8.0%	(2.0%)	8.5%	1.5%
2005-2010	(19.5)	8.1	(10.7)	(1.8)	(6.7)
2010-2015	(2.4)	(4.4)	(3.4)	(1.8)	(2.6)
2000-2015	(8.9)	3.7	(5.4)	1.5	(2.6)
Market shares of enplaned passengers					
2000	62.2%	8.9%	71.1%	28.9%	100.0%
2005	47.5	12.1	59.6	40.4	100.0
2010	22.7	25.2	47.9	52.1	100.0
2015	22.9	23.0	45.9	54.1	100.0

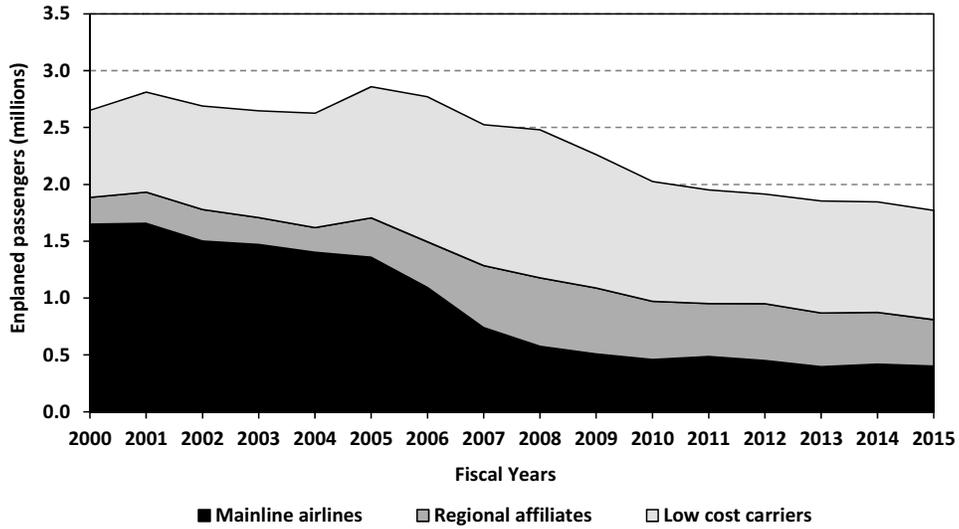
Note: For Fiscal Years ended June 30.

(a) Includes passengers enplaned on charter and foreign-flag airlines.

(b) Represents the percent change during the first 9 months of FY 2014 (July 2015 through March 2016) compared with the same period in FY 2015.

Source: Rhode Island Airport Corporation records.

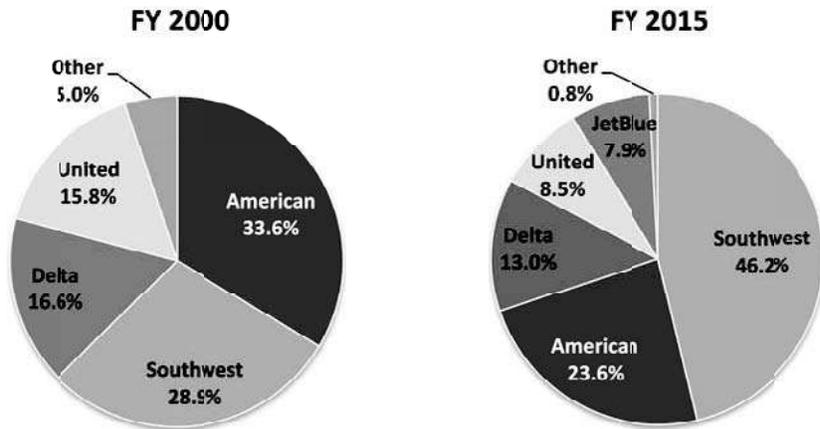
Figure 5  
**HISTORICAL TRENDS IN ENPLANED PASSENGERS**  
 T.F. Green Airport



Note: For Fiscal Years ended June 30.

Source: Rhode Island Airport Corporation records.

Figure 6  
**ENPLANED PASSENGER MARKET SHARES**  
 T.F. Green Airport



Note: For Fiscal Years ended June 30.

See Table 8 for detailed footnotes.

Source: Rhode Island Airport Corporation records.

Table 8  
**ENPLANED PASSENGERS BY AIRLINE**  
T.F. Green Airport

Airline	Enplaned passengers (thousands)		Percent of total	
	FY 2010	FY 2015	FY 2010	FY 2015
<b>Network airlines</b>				
<b>Mainline carriers</b>				
Delta Air Lines	91,346	183,847	4.5%	10.3%
American Airlines	297,043	177,052	14.7	10.0
United Airlines	66,408	36,221	3.3	2.0
Other (a)	<u>5,018</u>	<u>10,627</u>	<u>0.2</u>	<u>0.6</u>
Subtotal	459,815	407,747	22.7%	23.0%
<b>Regional affiliates</b>				
American Eagle	162,795	242,705	8.0%	13.7%
United Express	207,998	114,666	10.3	6.5
Delta Connection	129,807	46,438	6.4	2.6
Other	<u>10,556</u>	<u>3,639</u>	<u>0.5</u>	<u>0.2</u>
Subtotal	<u>511,156</u>	<u>407,448</u>	<u>25.2%</u>	<u>22.9%</u>
	970,971	815,195	47.9%	45.9%
<b>Low cost carriers</b>				
Southwest Airlines	1,054,173	821,121	52.1%	46.2%
JetBlue	--	<u>140,108</u>	<u>0.0</u>	<u>7.9</u>
Subtotal	<u>1,054,173</u>	<u>961,229</u>	<u>52.1%</u>	<u>54.1%</u>
Total	2,025,144	1,776,424	100.0%	100.0%
<b>Airline Group (b)</b>				
Southwest Airlines	1,054,173	821,121	52.1%	46.2%
American Airlines (c)	459,838	419,757	22.7	23.6
Delta Air Lines (c)	221,153	230,285	10.9	13.0
United Airlines (c)	274,406	150,887	13.5	8.5
JetBlue Airways	--	140,108	--	7.9
Other (a)	<u>15,574</u>	<u>14,266</u>	<u>0.8</u>	<u>0.8</u>
Total	2,025,144	1,776,424	100.0%	100.0%

Note: For Fiscal Years ended June 30.

(a) Includes activity of charter and foreign-flag airlines.

(b) The activity of merged airlines is reported together in all years shown, i.e., United and Continental, American and US Airways, and Delta and Northwest.

(c) Includes the activity of regional affiliates.

Source: Rhode Island Airport Corporation records.

#### **1.5.4 Origin-Destination Markets**

Table 9 shows the top 25 destination markets for passengers originating their journeys at the Airport in FY 2015. Average daily nonstop departures from the Airport by the scheduled airlines in July 2016 are also shown. These 25 markets accounted for 78.9% of the total scheduled airline originating passengers at the Airport in FY 2015. These origin-destination patterns are illustrated on Figure 7.

Orlando and Washington, D.C. are the top two destination markets, accounting for 16.9% and 12.2%, respectively, of the total O&D passengers at the Airport in FY 2015. Other major destinations include Miami, Tampa, Chicago, Charlotte, and Atlanta. Seventeen of the top 25 destinations are short- and medium-haul routes (less than 1,500 miles) and eight are long-haul routes (1,500 miles or more), reflecting the geographical location of Providence in the northeastern United States.

Table 9 also presents the average daily number of nonstop departures to the destination markets listed. Of the top 25 destinations, nine were served nonstop from the Airport in July 2016, as shown in Table 9 and on Figure 7.

#### **1.5.5 Airline Service**

The availability of nonstop service at the Airport has been an important factor in passenger traffic growth. Table 10 shows scheduled average daily departing seats by airline type for July of 2010 through 2016 at the Airport and for selected nearby commercial service airports in Boston, Massachusetts, Hartford, Connecticut, and Manchester, New Hampshire. Of the four airports shown, the Airport has the second highest share of low cost carrier scheduled departing seats in July 2016, with 49.5%.

Figure 8 provides historical originating domestic enplaned passengers for the Airport, Boston-Logan International Airport, Bradley International Airport, and Manchester-Boston Regional Airport. As shown, the Airport and Manchester-Boston Regional Airport's market shares have decreased slightly while Boston Logan and Bradley international airports' market shares have increased.

Table 9  
**DOMESTIC PASSENGER DESTINATION PATTERNS AND AIRLINE SERVICE**  
T.F. Green Airport

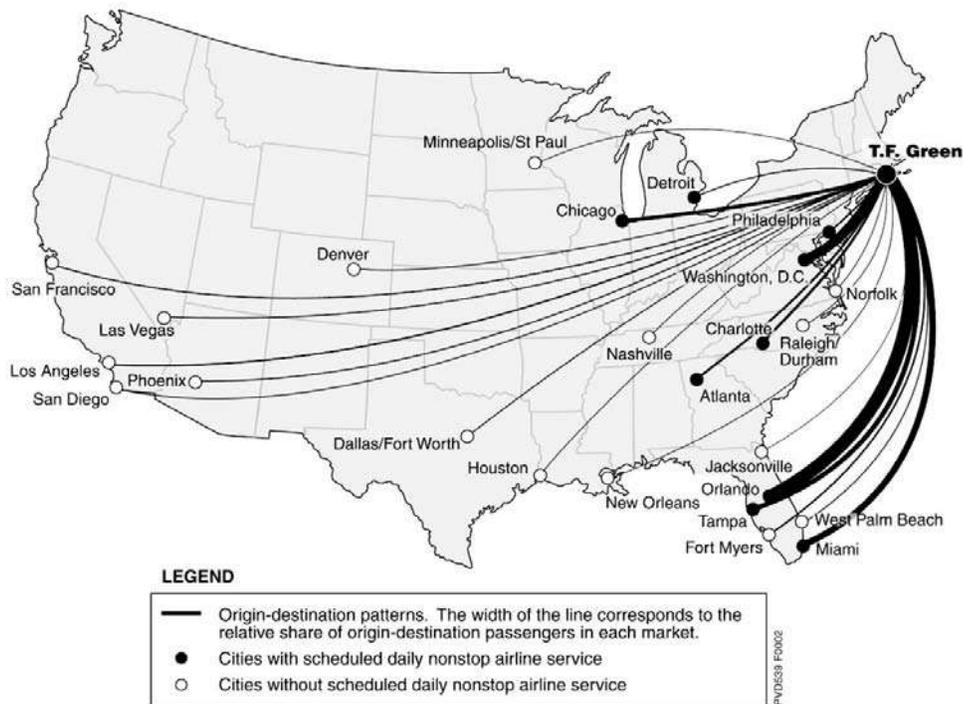
Rank	Origin-destination market	Air miles from Providence	Percent of domestic O&D passengers in FY 2015	Average scheduled daily nonstop departures July 2016
1	Orlando	1,073	16.9%	6
2	Washington, D.C. (a)	355	12.2	16
3	Miami (b)	1,189	8.3	2
4	Tampa	1,137	6.2	2
5	Chicago (c)	846	4.7	7
6	Charlotte	682	3.3	5
7	Atlanta	901	2.9	3
8	Philadelphia	236	2.2	8
9	Fort Myers (d)	1,201	2.2	--
10	Los Angeles (e)	2,583	2.0	--
11	San Francisco (f)	2,698	1.6	--
12	Las Vegas	2,356	1.5	--
13	Detroit	613	1.5	3
14	Phoenix	2,270	1.5	--
15	West Palm Beach (d)	1,149	1.4	--
16	Denver	1,732	1.3	--
17	San Diego	2,579	1.3	--
18	Dallas/Fort Worth (g)	1,525	1.3	--
19	Raleigh/Durham	565	1.0	--
20	Minneapolis/St Paul	1,113	1.0	--
21	Norfolk	431	1.0	--
22	Houston (h)	1,556	1.0	--
23	Nashville	904	1.0	--
24	New Orleans	1,324	1.0	--
25	Jacksonville	964	<u>0.9</u>	--
	Cities listed		78.9%	52
	Other cities		<u>21.1</u>	<u>4 (i)</u>
	All cities		100.0%	56

Note: Includes cities with 1% or more of total inbound and outbound domestic origin-destination passengers at T.F. Green Airport, on the basis of a 10% sample of outbound passengers. For Fiscal Years ended June 30.

- (a) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
- (b) Fort Lauderdale-Hollywood and Miami international airports.
- (c) Chicago O'Hare and Midway international airports.
- (d) Fort Myers and West Palm Beach have seasonal service from the Airport.
- (e) Los Angeles International, Bob Hope (Burbank), Ontario International, John Wayne (Orange County), and Long Beach airports.
- (f) San Francisco, Oakland, and Mineta San Jose international airports.
- (g) Dallas/Fort Worth International Airport and Dallas Love Field.
- (h) George Bush Intercontinental and William P. Hobby airports.
- (i) Weekly international service is also provided on a seasonal basis from Providence to Frankfurt, Germany, Ponta Delgada, Portugal, and Praia, Cabo Verde.

Sources O&D percentage: U.S. Department of Transportation, *Origin-Destination Survey or Airline Passenger Traffic, Domestic*, online database, accessed April 2016.  
Departures: OAG Aviation Worldwide Ltd., online database, accessed April 2016.

Figure 7  
**DOMESTIC ORIGIN-DESTINATION PATTERNS IN FY 2015**  
 T.F. Green Airport



Source: O&D percentage: U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, online database, accessed April 2016.  
 Departures: OAG Aviation Worldwide Ltd., online database, accessed April 2016.

### 1.5.6 Airline Airfares and Yields

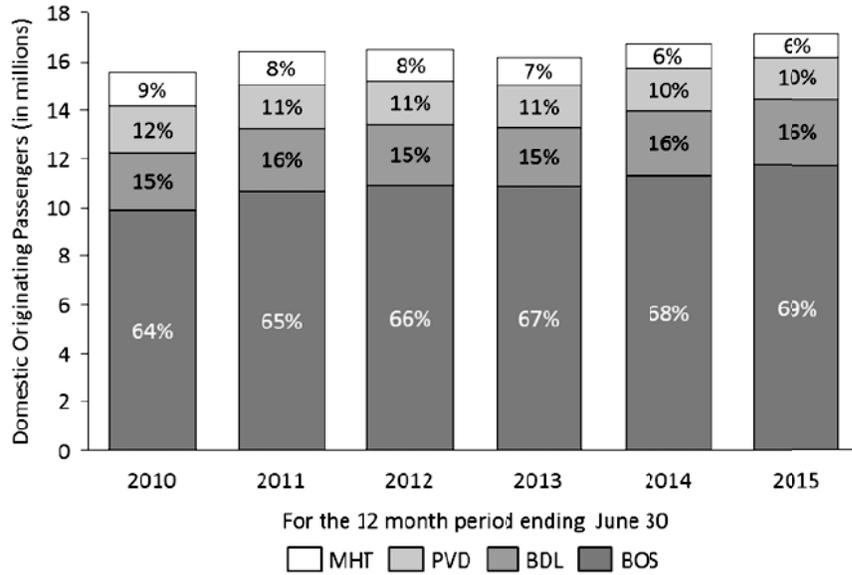
Airfares charged for airline travel to and from Providence have also been an important determinant of airline passenger traffic at the Airport. Airline yield, the airfare paid to transport one passenger one mile, is often used for cost of travel comparisons because it is a unit measure that minimizes the weight of trip distance in calculating an average cost. As shown on Figure 9, average domestic airline yields for all airlines at the Airport have generally followed the trends at all U.S. airports since FY 2000. Between FY 2000 and FY 2015, average airline yields at the Airport increased an average of 2.2% per year, faster than growth at all U.S. airports (an average increase of 1.5% per year). Southwest Airlines domestic yields at PVD have remained below the average for all U.S. airports since FY 2000, while the domestic yields of all other airlines have remained higher than the national average since FY 2007.

Table 10  
**SCHEDULED DEPARTING SEATS BY AIRLINE AT SELECTED AIRPORTS**

Airport/airline type	Average daily scheduled departing seats in July of each year						
	2010	2011	2012	2013	2014	2015	2016
<b>T.F. Green</b>							
Domestic							
Mainline airlines	1,909	1,781	1,286	1,458	1,478	1,280	1,607
Regional affiliates	1,866	2,196	1,915	1,742	1,403	1,515	1,416
Low-cost carriers	<u>3,967</u>	<u>3,697</u>	<u>3,234</u>	<u>3,520</u>	<u>3,355</u>	<u>3,148</u>	<u>3,171</u>
Subtotal Domestic	7,742	7,674	6,435	6,721	6,236	5,943	6,194
International	<u>32</u>	<u>31</u>	<u>32</u>	--	--	<u>136</u>	<u>163</u>
Total airport	7,774	7,706	6,467	6,721	6,236	6,079	6,358
<b>Manchester-Boston Regional</b>							
Domestic							
Mainline airlines	610	340	257	496	276	229	149
Regional affiliates	1,609	1,725	1,579	1,382	1,383	1,423	1,487
Low-cost carriers	<u>3,171</u>	<u>3,118</u>	<u>2,664</u>	<u>2,461</u>	<u>1,991</u>	<u>1,984</u>	<u>2,053</u>
Subtotal Domestic	5,390	5,182	4,499	4,339	3,650	3,636	3,689
International	<u>32</u>	<u>20</u>	--	--	--	--	--
Total airport	5,422	5,202	4,499	4,339	3,650	3,636	3,689
<b>Boston Logan International</b>							
Domestic							
Mainline airlines	22,936	22,810	21,905	24,120	23,457	24,853	25,531
Regional affiliates	5,467	5,694	4,586	3,927	4,616	4,123	3,332
Low-cost carriers	<u>15,634</u>	<u>18,693</u>	<u>17,850</u>	<u>20,634</u>	<u>20,656</u>	<u>22,260</u>	<u>24,483</u>
Subtotal Domestic	44,037	47,197	44,342	48,681	48,729	51,236	53,346
International	<u>8,097</u>	<u>8,855</u>	<u>9,000</u>	<u>8,767</u>	<u>10,367</u>	<u>11,042</u>	<u>13,347</u>
Total airport	52,135	56,051	53,341	57,448	59,096	62,279	66,693
<b>Hartford Bradley International</b>							
Domestic							
Mainline airlines	4,847	4,264	3,372	3,584	3,572	3,365	4,178
Regional affiliates	2,384	2,660	2,532	2,113	2,275	2,147	1,812
Low-cost carriers	<u>2,493</u>	<u>3,070</u>	<u>3,217</u>	<u>3,425</u>	<u>4,030</u>	<u>3,878</u>	<u>4,132</u>
Subtotal Domestic	9,724	9,995	9,122	9,122	9,877	9,390	10,122
International	<u>180</u>	<u>155</u>	<u>140</u>	<u>128</u>	<u>115</u>	<u>136</u>	<u>185</u>
Total airport	9,904	10,150	9,262	9,250	9,992	9,526	10,308

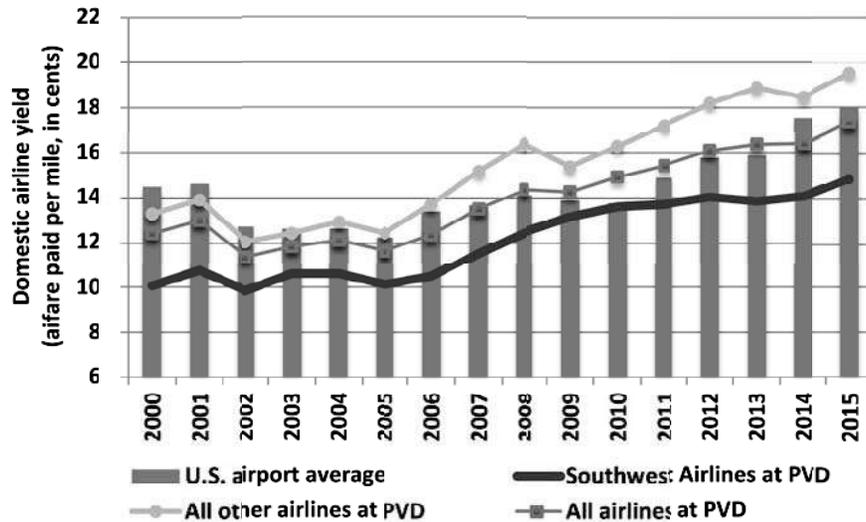
Sources: OAG Aviation Worldwide Ltd., online database, accessed April 2016.

Figure 8  
**ORIGINATING DOMESTIC ENPLANED PASSENGERS BY AIRPORT**



Source: U.S. Department of Transportation, *Origin-Destination Survey or Airline Passenger Traffic, Domestic*, online database, accessed April 2016.

Figure 9  
**AVERAGE DOMESTIC AIRLINE YIELDS**  
 T.F. Green Airport and U.S. Airports



Note: For Fiscal Years ended June 30.

Source: U.S. Department of Transportation, *Origin-Destination Survey or Airline Passenger Traffic, Domestic*, online database, accessed April 2016.

Table 11 provides airline airfare data for the 10 busiest domestic markets at the Airport in FY 2015 compared with airline fares for those same markets at Boston Logan International Airport, Hartford Bradley International Airport, and Manchester-Boston Regional Airport. In FY 2015, average airfares for PVD's 10 busiest domestic markets were lower than the average for each of the three airports—17% lower than Boston, 10% lower than Hartford, and 1% lower than Manchester. Of the 10 busiest markets with nonstop service at the Airport, the largest difference in airfares was for the Orlando and Miami markets, with airfares at the Airport that are 26% and 23% lower, respectively, than airfares at Boston Logan International Airport. Lower airfares to Orlando and Miami from Providence reflect low cost carrier service by two low cost carriers—JetBlue Airways and Southwest Airlines.

“Average airfare” statistics reported to the U.S. Department of Transportation (DOT) survey of airline tickets are becoming less representative of the true “cost of travel.” Total airline fare revenue includes ancillary fees (bag check fees, onboard food and beverage costs, priority boarding fees, and so on), which have proliferated since the mid-2008 fuel price spike. These ancillary fees can represent material additional payments that are not included in the reported “average airfare” figures.

Table 11  
**AIRFARES AND DAILY NONSTOP DEPARTURES FOR 10 BUSIEST PROVIDENCE MARKETS**

Top 10 Providence markets (ranked by share of O&D passengers)	Average domestic one-way airfare in FY 2015				Number of daily nonstop departures in July 2016			
	T.F. Green Airport	Manchester -Boston Regional Airport	Boston Logan International Airport	Hartford Bradley International Airport	T.F. Green Airport	Manchester- Boston Regional Airport	Boston Logan International Airport	Hartford Bradley International Airport
Orlando	\$143	\$159	\$192	\$154	6	1	8	5
Washington, D.C. (a)	150	136	152	135	16	12	48	19
Miami (b)	154	188	201	163	2	--	15	3
Tampa	156	159	186	150	2	1	4	3
Chicago (c)	196	188	175	241	7	6	29	12
Charlotte	234	224	231	210	5	2	11	6
Atlanta	297	291	287	282	3	1	15	6
Philadelphia	178	196	201	164	8	6	17	7
Fort Myers	168	178	156	226	--	--	3	--
Los Angeles (d)	207	208	248	228	--	--	<u>16</u>	<u>1</u>
Average for top 10 Providence markets	165	166	198	182	48	29	165	62
Average for all markets	201	204	221	221	55	38	553	94

(a) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.

(b) Miami and Fort Lauderdale international airports.

(c) Chicago O'Hare and Midway International airports.

(d) Los Angeles International, Bob Hope (Burbank), Ontario International, John Wayne (Orange County), and Long Beach airports.

Source: U.S. Department of Transportation, *Origin-Destination Survey of Airline Traffic, Domestic*, online database, and OAG Aviation Worldwide Ltd., online database, accessed April 2016.

### 1.5.7 Cargo

Historical air cargo (air freight and mail) tonnage is presented in Table 12. From FY 2000 to FY 2007, total air cargo tonnage increased an average of 1.3% per year. From FY 2007 to FY 2011, total air cargo tonnage at the Airport decreased an average of 17.2% per year to a low of 10,867 tons. Since FY 2011, air cargo tonnage increased an average of 6.0% per year between FY 2011 and FY 2015 to 13,702 tons. The Airport is served by two all-cargo airlines including FedEx and United Parcel Service.

Table 12  
**HISTORICAL AIR CARGO**  
T.F. Green Airport

Fiscal year	Total air cargo (tons) (a)	Annual percent increase (decrease)
2000	21,006	--%
2001	21,049	0.2
2002	17,931	(14.8)
2003	18,500	3.2
2004	19,167	3.6
2005	19,056	(0.6)
2006	20,844	9.4
2007	23,065	10.7
2008	19,219	(16.7)
2009	11,928	(37.9)
2010	11,191	(6.2)
2011	10,867	(2.9)
2012	11,574	6.5
2013	12,762	10.3
2014	13,338	4.5
2015	13,702	2.7
July-January		
2015	8,446	--%
2016	8,270	(2.1)
Compound annual percent increase (decrease)		
2000-2007	1.3	
2007-2011	(17.2)	
2011-2015	6.0	
2000-2015	(2.8)	

Note: For Fiscal Years ended June 30.

(a) Includes enplaned and deplaned air freight and mail. A short ton comprises 2,000 pounds.

Source: Rhode Island Airport Corporation records.

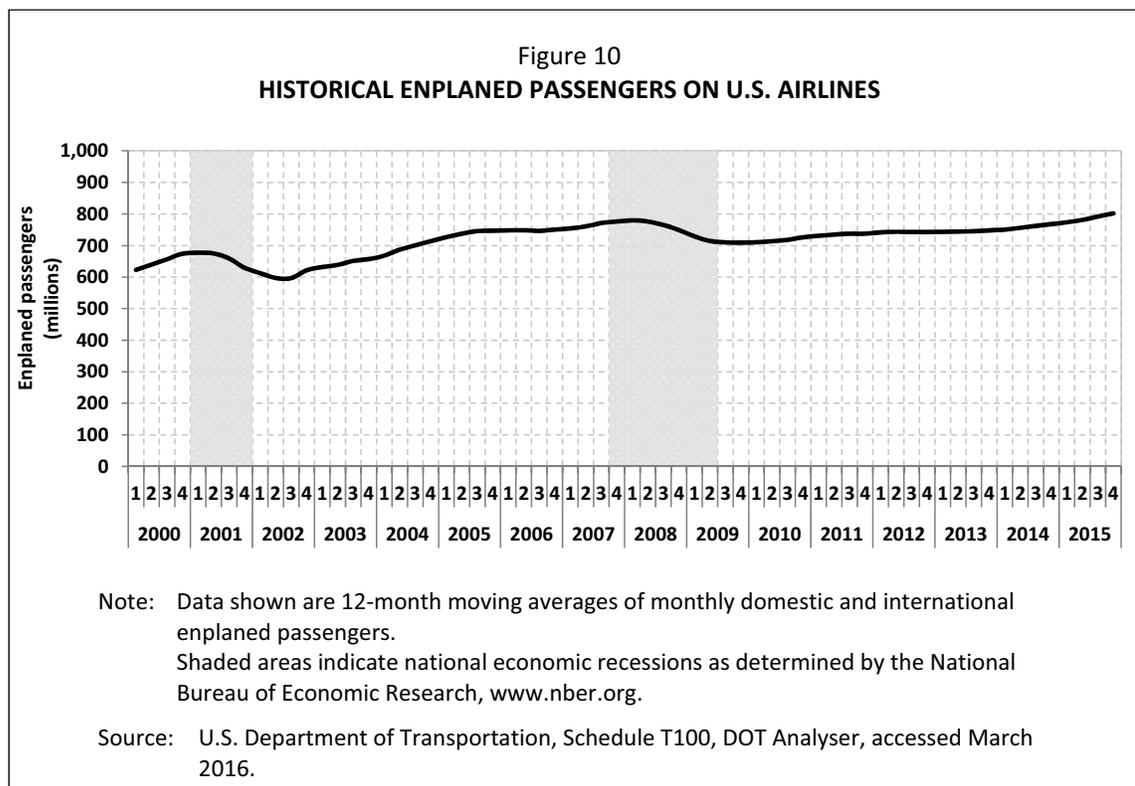
## 1.6 KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the economy and demographics of the Airport service region, discussed earlier, key factors that will affect future airline traffic at the Airport include:

- Economic and political conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

### 1.6.1 Economic and Political Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated in Figure 10, recession in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and contributed to reduced airline travel demand in those years.



With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency

exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

### **1.6.2 Financial Health of the Airline Industry**

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

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2005, the major U.S. passenger airlines collectively recorded net losses of approximately \$61 billion. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2006 and 2007, the U.S. passenger airline industry as a whole was profitable, recording net income of approximately \$23 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately \$27 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

In 2010 through 2013, the U.S. passenger airline industry as a whole recorded net income of approximately \$15 billion, in spite of sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues.\* Over the four years 2009 to 2013, the airlines collectively increased domestic seat-mile capacity by an average of just 1.0% per year.\*\* American filed for bankruptcy protection in 2011. In 2014, the U.S. passenger airline industry reported net income of approximately \$7.4 billion, assisted by reduced fuel prices in the second half of the year. During the first 9 months of 2015, U.S. passenger airlines reported net income of \$17.9 billion, more than twice the net income during the same period in 2014.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to allow increased airfares, and stable fuel prices. Consolidation of the U.S. airline industry has resulted from the

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\*U.S. Department of Transportation, Bureau of Transportation Statistics, Schedule P1.2, [www.transtats.bts.gov](http://www.transtats.bts.gov), accessed March 2016.

\*\*U.S. Department of Transportation, Bureau of Transportation Statistics, T-100 Market and Segment, [www.transtats.bts.gov](http://www.transtats.bts.gov), accessed March 2016.

acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2009), the acquisition of AirTran by Southwest (2011), and the merger American and US Airways (2013). Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) accounting for approximately 72% of domestic seat capacity in 2014 and is expected by airline industry analysts to contribute to industry profitability. However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

### **1.6.3 Airline Service and Routes**

Most large airports serve as gateways to their communities and as connecting points. The number of origin and destination passengers at an airport depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided. The number of connecting passengers, on the other hand, depends entirely on the airline service provided. As discussed in the earlier section, “Enplaned Passengers,” most passengers at the Airport are originating their journeys rather than connecting between flights.

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

### **1.6.4 Airline Competition and Airfares**

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive “discretionary” travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines decreased from 16.1 cents to 13.8 cents per passenger-mile. In 2006 through 2008, as airlines reduced

capacity and were able to sustain fare increases, the average domestic yield increased to 15.9 cents per passenger-mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 18.2 cents per passenger-mile by 2014. In 2015, the average domestic yield for U.S. airlines decreased to 17.7 cents, reflecting, in part, continued low fuel prices.\* Beginning in 2006, ancillary charges have been introduced by most airlines for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

### **1.6.5 Availability and Price of Aviation Fuel**

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Figure 11 shows the historical fluctuation in fuel prices since 2000. Beginning in 2003, fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices fell sharply in the second half of 2008 as demand declined worldwide, but have since increased as global demand has increased. Since early 2011, fuel prices have been relatively stable, partly as a result of increased supply from U.S. domestic production, although political instability and conflicts in North Africa and the Middle East have contributed to volatility. As of mid-2014, average aviation fuel prices were approximately three times the prices prevailing at the end of 2003. Since mid-2014, average aviation fuel prices have decreased 50%, reflecting continued growth in U.S. oil production, strong global supply, and weakening outlooks for the global economy and oil demand growth.

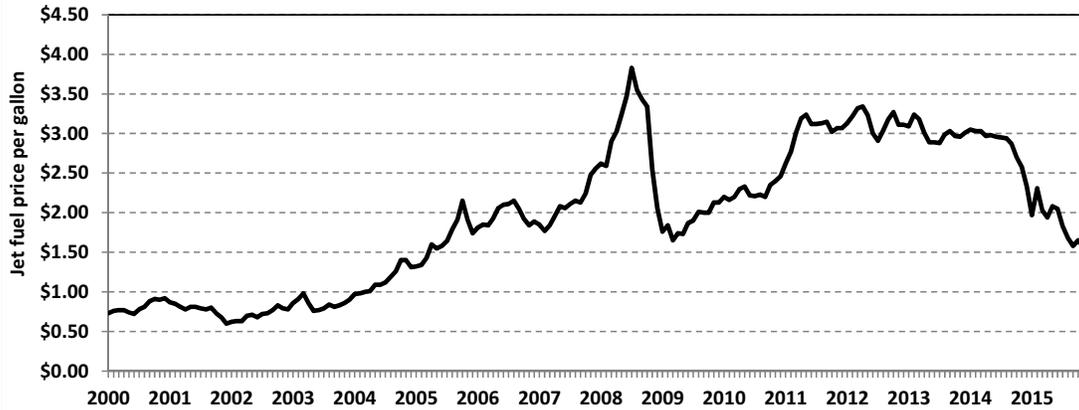
Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, particularly since an increase in supply from the U.S. and other oil producers has resulted in recent oil price declines relative to 2013 levels. Nevertheless, there is widespread agreement that fuel prices will continue to be volatile and are likely to increase over the long term as global energy demand increases in the face of finite and increasingly expensive oil supplies.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

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\*U.S. Department of Transportation, *Origin-Destination Survey of Airline Passenger Traffic, Domestic*, OAG DOT Analyser online database, accessed March 2016.

Figure 11  
**HISTORICAL AVIATION FUEL PRICES**



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Airline Fuel Cost and Consumption (U.S. Carriers - Scheduled), January 2000 - December 2015, [www.transtats.gov](http://www.transtats.gov).

### 1.6.6 Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips. Public health and safety concerns have also affected airline travel demand from time to time.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

### **1.6.7 Capacity of the National Air Traffic Control System**

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations, but, as airline travel increases in the future, flight delays and restrictions may be expected.

### **1.6.8 Capacity of the Airport**

In addition to any future constraints that may be imposed by the capacity of the national air traffic control system, future growth in airline traffic at the Airport will depend on the capacity at the Airport itself. The forecast is conditioned on the assumption that, during the forecast period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at the Airport.

## **1.7 AIRLINE TRAFFIC FORECASTS**

Forecasts of enplaned passengers and landed weight at the Airport were developed taking into account analyses of the economic basis for airline traffic, analyses of historical airline traffic, and an assessment of the key factors that may affect future airline traffic, as discussed in earlier sections. In general, it was assumed that, in the long term, changes in airline traffic at the Airport will occur largely as a function of growth in the population and economy of the Providence Area and changes in airline service. It was also assumed that continued development of airline service at the Airport will not be constrained by the availability of aviation fuel, long-term limitations in airline aircraft fleet capacity, limitations in the capacity of the air traffic control system or the Airport, or government policies or actions that restrict growth. Also considered were recent and potential developments in the national economy and in the air transportation industry as they have affected or may affect airline traffic at the Airport.

### **1.7.1 Assumptions Underlying the Forecasts**

From FY 2016 through FY 2021, passenger numbers at the Airport are forecast to increase gradually on the basis of the following assumptions:

- The U.S. economy will experience sustained GDP growth averaging between 2.0% and 2.5% per year.
- Nonagricultural employment and per capita personal income in the Providence Area will increase at a rate comparable to that of the United States as a whole.
- There will be no major disruption of airline service or airline travel behavior as a result of international hostilities or terrorist acts or threats.

- The Airport will continue to be primarily an origin-destination airport and the small percentage of passengers connecting at the Airport will not change materially.
- Aviation fuel prices will return to levels that are historically high but lower than the record prices reached in mid-2008.
- Competition among the airlines serving the Airport will ensure the continued availability of competitive airfares.

### **1.7.2 Enplaned Passengers**

In FY 2016, the numbers of enplaned passengers at the Airport are estimated to total 1.8 million, a 2.0% increase from the FY 2015 number, reflecting actual data for the first 7 months of FY 2016 (July 2015 through January 2016) and published flight schedules for the Airport, including the addition of service by Condor Flugdienst and TACV Cabo Verde Airlines in June 2015 and SATA International-Azores Airlines in June 2016.

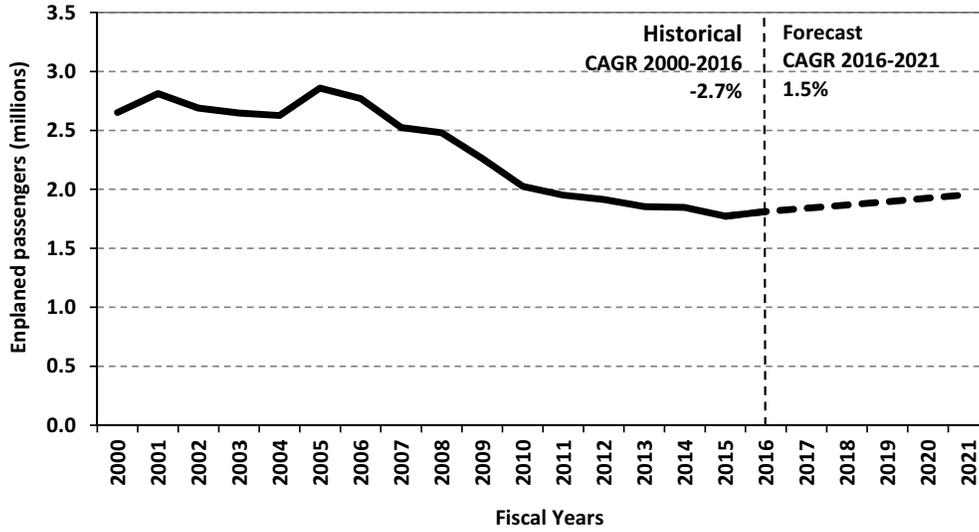
From FY 2016 through FY 2021, the numbers of passengers enplaned at the Airport are forecast to increase an average of 1.5% per year, reaching approximately 2.0 million in FY 2021, as shown on Figure 12 and Table 13. In its most recent *Terminal Area Forecast* for the Airport (published February 2016), the FAA forecasts an average annual increase of 1.9% in the number of enplaned passengers over the same period.

### **1.7.3 Landed Weight**

In FY 2016, aircraft landed weight at the Airport is estimated to total 2.0 million 1,000-pound units, a 2.5% increase from the FY 2015 number, reflecting actual data for the first 7 months of FY 2016 (July 2015 through January 2016).

From FY 2016 through FY 2021, aircraft landed weight at the Airport is forecast to increase to increase an average of 0.8% per year to 2.1 million 1,000-pound units in FY 2021. The forecast rate of growth in landed weight (0.8% per year on average) is lower than that for enplaned passengers, reflecting an assumed upgauging of aircraft and gradual increase in the enplaned passenger load factors at the Airport.

Figure 12  
**HISTORICAL AND FORECAST ENPLANED PASSENGERS**  
 T.F. Green Airport



Note: The forecasts presented in this figure were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

For Fiscal Years ending June 30  
 CAGR = Compound annual growth rate

Sources: Historical— Rhode Island Airport Corporation records.  
 Estimated and Forecast—LeighFisher, April 2016.

Table 13  
**AIRLINE TRAFFIC FORECASTS**  
T.F. Green Airport  
FY 2014 – FY 2021

The forecasts presented in this table were prepared using the information and assumptions given in the accompanying text. Inevitably, some of the 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 the forecast and actual results, and those differences may be material.

	Historical		Estimated FY 2016 (a)	Forecast					Average annual percent increase (decrease) FY 2016-FY 2021
	FY 2014	FY 2015		FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
<b>Enplaned passengers</b>									
Mainline airlines	418,960	406,938	453,700	458,100	462,400	466,900	471,400	475,900	1.0%
Regional affiliates	454,771	408,112	366,500	370,100	373,800	377,600	381,300	385,200	1.0
Low cost carriers	<u>972,445</u>	<u>961,374</u>	<u>991,200</u>	<u>1,011,000</u>	<u>1,031,200</u>	<u>1,051,900</u>	<u>1,072,900</u>	<u>1,094,300</u>	2.0
Total	1,846,176	1,776,424	1,811,400	1,839,200	1,867,400	1,896,400	1,925,600	1,955,400	1.5
Annual percent increase (decrease)	(0.4%)	(3.8%)	2.0%	1.5%	1.5%	1.6%	1.5%	1.5%	
<b>Landed weight (1,000-pound units)</b>									
<b>Passenger airlines</b>									
Mainline airlines	480,667	450,903	511,502	508,997	512,082	515,188	518,313	521,460	0.4
Regional affiliates	499,586	448,827	424,349	434,825	434,295	433,766	433,239	432,712	0.4
Low cost carriers	<u>1,004,123</u>	<u>987,031</u>	<u>997,932</u>	<u>1,010,610</u>	<u>1,019,436</u>	<u>1,028,341</u>	<u>1,037,324</u>	<u>1,046,388</u>	1.0
Subtotal	1,984,377	1,886,761	1,933,783	1,954,432	1,965,813	1,977,294	1,988,876	2,000,560	0.7
All-cargo airlines	<u>106,107</u>	<u>109,532</u>	<u>111,453</u>	<u>113,682</u>	<u>115,956</u>	<u>118,275</u>	<u>120,641</u>	<u>123,053</u>	2.0
Total	2,090,484	1,996,293	2,045,236	2,068,115	2,081,769	2,095,570	2,109,517	2,123,613	0.8
Annual percent increase (decrease)	(1.4%)	(4.5%)	2.5%	1.1%	0.7%	0.7%	0.7%	0.7%	

Note: Fiscal Years ending June 30.

(a) Estimated based on 7 months of actual data (July 2015 through January 2016).

Sources: Historical: Rhode Island Airport Corporation records.  
Estimated and Forecast: LeighFisher, April 2016.

## **2. FINANCIAL ANALYSIS**

### **2.1 ORGANIZATION AND MANAGEMENT**

#### **2.1.1 Rhode Island Commerce Corporation (Corporation)**

The Rhode Island Commerce Corporation (Corporation), formerly the Rhode Island Economic Development Corporation, was created by an act (the Act) of the General Assembly of the state of Rhode Island (the State) in 1974. Per the Act the purpose of the Corporation is to promote the economic development of the State through the acquisition and development of real and personal property. The Corporation is a governmental agency and public instrumentality of the State and has the power to issue tax-exempt industrial development bonds and revenue bonds in order to accomplish its stated purpose. The Corporation is governed by a board of directors consisting of 13 members, including the Governor of the State, and 12 members appointed by the governor subject to the advice and consent of the State Senate.

#### **2.1.2 Rhode Island Airport Corporation (RIAC)**

The Corporation created the Rhode Island Airport Corporation (RIAC) in 1992 as a subsidiary public corporation, governmental agency and public instrumentality, having a distinct legal existence from the State and the Corporation. RIAC is empowered 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 in the State. RIAC is not subject to federal, state, or local income taxes. It operates on a fiscal year basis defined as the 12-month period ending June 30 (the Fiscal Year).

RIAC is governed by a seven member Board of Directors (the Board) appointed by the Governor of the State with the advice and consent of the State Senate. Directors serve four year terms. RIAC does not have the authority to issue bonds or notes or borrow money without the approval of the Corporation.

RIAC and the State entered into a Lease and Operating Agreement (the Lease Agreement) effective July 1, 1993, under which RIAC assumed operating responsibility for six airports:

- T.F. Green Airport (the Airport)
- Block Island Airport
- Newport Airport
- North Central Airport
- Quonset Airport
- Westerly Airport

Collectively, these six airports are referred to as the Airport System. The term of the Lease Agreement with State expires on June 30, 2046. RIAC pays the State \$1.00 per year in rental fees.

RIAC's annual financial statements for the Airport System are prepared on an accrual basis. RIAC funds Airport operations and Capital Improvements with revenues generated from airline payments and other Revenues, Passenger Facility Charge (PFC) revenues, bond proceeds, and federal grants-in-aid. According to RIAC, it maintains the financial records for the Airport in accordance with generally accepted accounting principles.

### **2.1.3 T.F. Green Airport**

The Airport is the only certified Part 139 commercial service airport in the State. It is located about nine road miles south of downtown Providence in the City of Warwick and is the principal air carrier airport serving Rhode Island. The Airport has two intersecting runways. Runway 5-23 is 7,166 feet long and Runway 16-34 is 6,081 feet long. Both runways are 150 feet wide and, together with all associated approach surfaces and runway protection zones, meet all FAA standards. A lighted taxiway system connects the runways to the passenger terminal building.

The terminal was renovated and expanded in 2008 to minimize congestion, ease circulation, improve security procedures, and enhance concessions. The 2008 renovation and expansion increased the terminal size to approximately 402,000 square feet. The terminal has 21 gates.

### **2.1.4 General Aviation Airports**

In addition to the Airport, RIAC also operates five general aviation airports. Each of these airports is managed by AFCO AvPORTS Management LLC (AvPORTS), under a management contract with RIAC. AvPORTS receives an annual management fee with opportunities for success-based financial incentives. Westerly and Block Island Airports are both classified as commercial service airports by the FAA, each enplaning approximately 10,000 passengers annually. North Central and Quonset Airports are both classified as reliever airports. Newport Airport is classified as a general aviation airport.

## **2.2 GENERAL AIRPORT REVENUE BONDS**

### **2.2.1 Master Indenture of Trust**

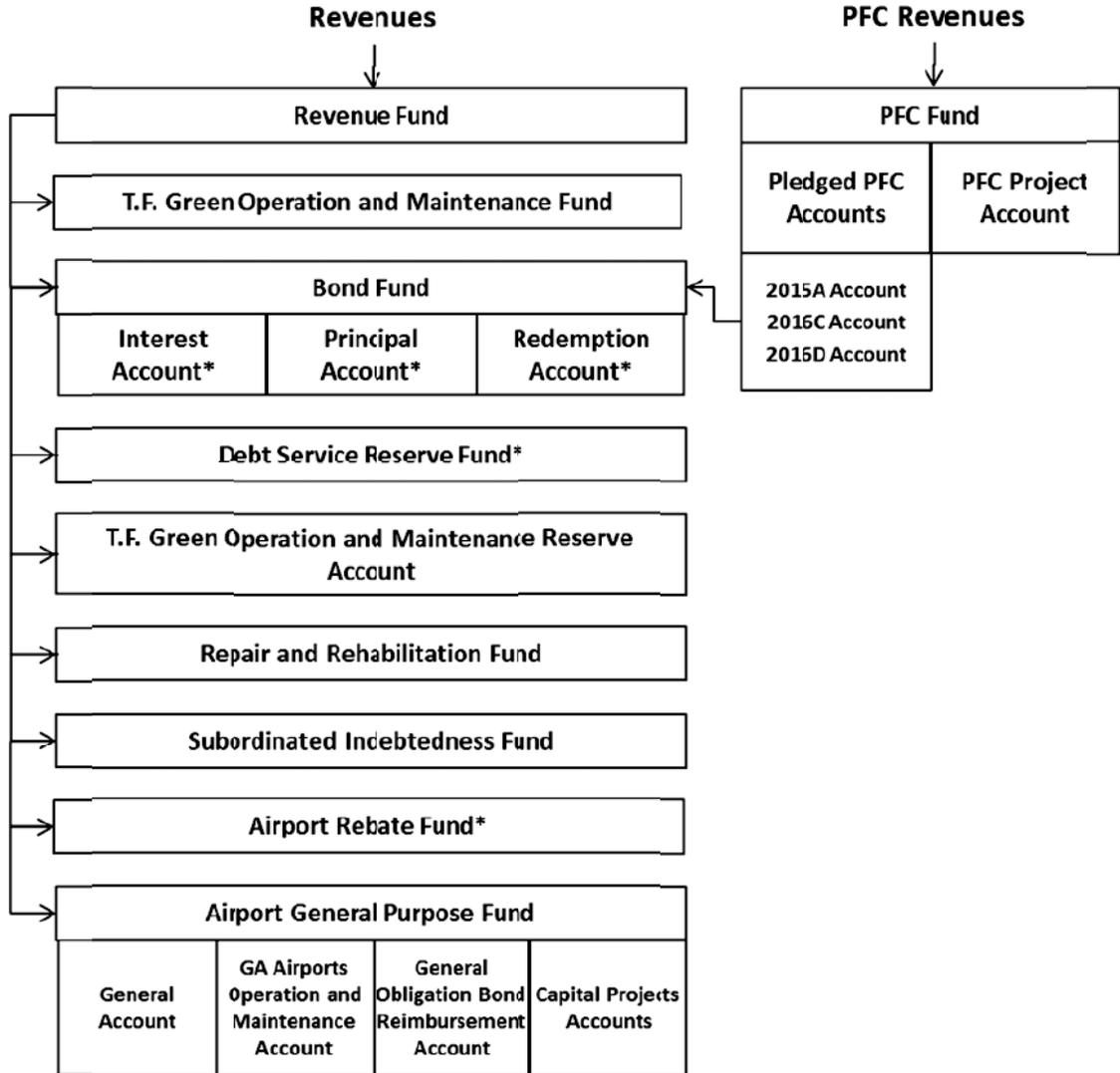
The Series 2016 D/E Bonds are to be issued in accordance with the Master Indenture of Trust (the Master Indenture) and the Thirteenth Supplemental Indenture of Trust (the Supplemental Indenture, and together with the Master Indenture, the Indenture) adopted by RIAC as Issuer and U.S. Bank National Association as Trustee. The Master Indenture specifies requirements for the financial operations of the Airport System, including the Rate Covenant and Conditions for Issuing Additional Obligations, as described later in this chapter. All of the General Airport Revenue Bonds currently outstanding were issued with a parity pledge of and lien on Net Revenues. "Net Revenues" are defined in the Indenture to mean Revenues less amounts needed to pay T.F. Green Operation and Maintenance Expenses. The Series 2015A Bonds and Series 2016C Bonds have an additional pledge of PFC Revenues. The Series 2016D Bonds will have an additional pledge of PFC Revenues upon issuance.

### 2.2.2 Application of Revenues to Funds and Accounts

The Master Indenture establishes certain funds and accounts and the priority for the flow of Revenues to such funds and accounts, as illustrated on Figure 13. All Revenues are applied to funds and accounts in the following order of priority listed below. Pledged PFC Revenue is deposited directly from the PFC Fund into the Bond Fund.

1. *Revenue Fund.* All Revenues are deposited into RIAC's Revenue Fund.
2. *T.F. Green Operation and Maintenance Fund.* RIAC shall deposit an amount which, along with amounts remaining in the T.F. Green Operation and Maintenance Fund, is needed to pay the T.F. Green Operation and Maintenance Expenses.
3. *Bond Fund.* RIAC shall make monthly deposits into the Bond Fund for each series of Bonds the Net Revenues required for the payment of the Debt Service Requirements on all outstanding obligations. This includes amounts transferred from the related Pledged PFC account.
4. *Debt Service Reserve Fund.* RIAC shall deposit amounts necessary to meet the Reserve Requirement, which means for each series of Bonds a deposit in the amount of either (a) 1/24<sup>th</sup> of the amount necessary to restore the amount on deposit in the event that the Trustee had drawn upon the Account due to insufficient moneys in the Bond Fund, or (b) 1/6<sup>th</sup> of the amount necessary to restore the amount on deposit in the event that the deficiency had occurred due to a loss in the investment of the moneys in the Debt Service Reserve fund.
5. *T.F. Green Operation and Maintenance Reserve Account.* RIAC shall deposit amounts to fund any deficiency in the T.F. Green Operation and Maintenance Reserve Account, in the event that the account has been drawn upon.
6. *Repair and Rehabilitation Fund.* RIAC shall deposit amounts to fund any deficiency in the Repair and Rehabilitation Fund Reserve Requirement, in the event that the account has been drawn upon.
7. *Subordinated Indebtedness Fund.* RIAC shall deposit funds required by any resolution securing Subordinated Indebtedness to the extent that such amounts are not paid from other legally available funds.
8. *Airport Rebate Fund.* RIAC shall deposit funds to the Airport Rebate Fund in the amount required by each applicable Supplemental Indenture.

Figure 13  
**FLOW OF FUNDS UNDER THE MASTER INDENTURE**  
 Rhode Island Airport Corporation



\* An account exists for each Series of Bonds

9. *Airport General Purpose Fund.* Any remaining funds are deposited into the Airport General Purpose Fund and are available for use by RIAC for any lawful purpose. The Airport General Purpose Fund shall contain the following sub-accounts:
- *General Account.* Available for any lawful purpose
  - *Outlying Airports' Operation and Maintenance Account.* Amounts to pay the five outlying airport's operation and maintenance expenses
  - *General Obligation Bond Reimbursement Account.* Amounts to reimburse the State for payment associated with certain general obligation bonds issued by the State improvements within in the Airport System per the Lease Agreement
  - *Capital projects account.* Amounts to pay the cost of facilities at the airport as authorized by RIAC.

### **2.2.3 Rate Covenant**

Under Section 804, Rate Covenant of the Master Indenture, RIAC covenants that it will set and adjust the rentals, rates, fees and other charges for the use of the Airport System to be at least sufficient to produce (i) Net Revenues, plus (ii) Pledged PFC Revenue, if any, plus (iii) amounts transferred from the Airport General Purpose Fund to the Revenue Fund, if any, plus (iv) amounts on deposit in any Coverage Account at the beginning of the current Fiscal Year, if any (collectively, "Amounts Available to Pay Debt Service"), to provide for the greater of either:

- A. The amounts needed for making the required deposits in the Fiscal Year of RIAC to the Principal Accounts, the Interest Accounts, the Redemption Accounts, the Debt Service Reserve Fund, the Subordinated Indebtedness Fund (to the extent not otherwise paid from other legally available funds of RIAC) and the Repair and Rehabilitation Fund; or
- B. An amount not less than 125% of the aggregate Annual Debt Service with respect to Outstanding Bonds for such Fiscal Year of RIAC.

The Indenture further states that in any such calculation a capital gain resulting from any sale or revaluation of investments shall be excluded from the definition of Net Revenues.

### **2.2.4 Conditions for Issuing Additional Obligations Secured by Net Revenues**

The Master Indenture allows for the issuance of obligations in addition to the Outstanding Bonds, provided that certain conditions are met. Section 214, Additional Bonds of the Master Indenture specifies certain conditions that must be met before additional obligations secured by Net Revenues on a parity basis with Outstanding Bonds are issued. These conditions require that, among other things, either of the following conditions be met:

- A. An Airport Consultant has provided to the Trustee a certificate stating that, based upon reasonable assumptions set forth therein, Amounts Available to Pay Debt Service are projected to be not less than 125% of the aggregate Annual Debt Service with respect to Outstanding Bonds (disregarding any Bonds that have been paid or

discharged or will be paid or discharged immediately after the issuance of the Additional Bonds proposed to be issued) for each of the next five (5) full Fiscal Years of RIAC following issuance of the Additional Bonds, or each full Fiscal Year of RIAC from issuance of the Additional Bonds through two (2) full Fiscal Years of RIAC following completion of the project or projects financed by the Additional Bonds proposed to be issued, whichever is later; provided, however, that if capitalized interest on any Bonds and proposed Additional Bonds is to be applied in the last Fiscal Year of RIAC of the period described in this sentence, the Airport Consultant shall extend the test through the first full Fiscal Year of RIAC for which there is no longer capitalized interest, or

- B. An independent certified public accountant has provided to the Trustee a certificate stating that Amounts Available to Pay Debt Service in the most recent completed Fiscal Year of RIAC or any consecutive twelve (12) month period out of the last eighteen (18) months were not less than 125% of (A) Annual Debt Service on Bonds Outstanding in such Fiscal Year of RIAC or such period (disregarding any Bonds that have been paid or discharged or that will be paid or discharged immediately after the issuance of such Additional Bonds proposed to be issued), plus (B) Maximum Annual Debt Service with respect to such Additional Bonds proposed to be issued.

The Master Indenture allows for the issuance of refunding bonds and completion bonds so long as certain other conditions are met.

### 2.3 AIRLINE AGREEMENT

A long-term agreement between RIAC and the airlines serving the Airport expired on June 30, 2010. Effective July 1, 2010, RIAC entered into new agreements which expired on June 30, 2015. A new Airline Operating Agreement and Terminal Building Lease (the Airline Agreement) was entered into that is substantially similar in nature to the previous agreement and expires on June 30, 2020. For purposes of this report, it was assumed that upon expiration, a new agreement will become effective which will provide financial results which are substantially similar to the current Airline Agreement.

The Airline Agreement has been executed by the following passenger and all-cargo air carriers:

Passenger airlines	All-cargo air carriers
<ul style="list-style-type: none"> <li>▪ American Airlines</li> <li>▪ Delta Air Lines</li> <li>▪ JetBlue Airways</li> <li>▪ Southwest Airlines</li> <li>▪ United Airlines</li> </ul>	<ul style="list-style-type: none"> <li>▪ Federal Express Co. (FedEx)</li> <li>▪ United Parcel Service Co. (UPS)</li> </ul>

Collectively, the passenger and all-cargo air carriers that have executed the Airline Agreement are referred to as the Signatory Airlines.

The Airline Agreement grants certain rights and privileges, including the lease of Terminal space and use of other Airport facilities, in exchange for certain rentals and fees payable by the Signatory Airlines to RIAC.

The Airline Agreement establishes procedures for the annual review and adjustment of Signatory Airline rentals, fees, and charges. It also provides a procedure for a midyear adjustment to Signatory Airline rentals, fees and charges if such amounts vary by more than five percent (5%) from the projected total for any quarter. Under the terms of the Airline Agreement, RIAC also performs an annual reconciliation of budgeted Signatory Airline rentals, fees, and charges to actual results. Any aggregate credit or deficit is credited to the Signatory Airlines invoices or paid directly to RIAC in a lump sum, respectively.

Non-Signatory Airlines' Landing Fee Rate, Apron Fee Rate, and Terminal Rental Rate are 125% of the Signatory Airlines' rates.

**Terminal Rates.** Terminal Rates are calculated according to a commercial compensatory methodology. A commercial compensatory methodology provides for an allocation of the terminal building's total operating expense, allocated debt service, capital outlays, amortization charges, and required fund deposits over the square feet of leasable space; including ticket counter areas, holdroom, office, operations, baggage make-up, baggage claim, Trust office, and concessions space.

Under the Airline Agreement, holdrooms and baggage make-up areas are leased on a preferential use basis, whereby a Signatory Airline is assigned priority use of a particular aircraft boarding gate or gates, but RIAC has the right to assign such gate positions to other airlines if such airline requests to be accommodated on the Airport and no facilities are available. The Airline Agreement establishes uniform procedures to ensure uniform treatment of all Signatory Airlines under the accommodation provisions.

In addition to its preferential use premises, Signatory Airlines also lease certain areas on an exclusive use basis. These areas include ticket counter/airline ticketing offices, baggage service offices, and operations areas.

The Airline Agreement provides for the recovery Terminal costs based on a Terminal Building Rental rate charged to the Signatory Airlines based on their leased premises. The Terminal Building Rental Rate is calculated by adding the following cost components, as they are allocated to the Terminal cost center, which total to the Terminal Requirement:

- Airport Operation and Maintenance Expenses as defined in the Master Indenture
- Operation and Maintenance Reserve Account deposits
- Debt Service requirement, net of any PFC transfer
- Coverage Account deposit
- Amortization of RIAC-funded assets

In addition, RIAC management may choose to provide the airlines with a discretionary subsidy which reduces the Terminal Requirement in order to manage airline costs.

The Terminal Building Requirement is then divided by the total amount of leasable space in the Terminal to arrive at rate per square foot. The FY 2016 Terminal Building Rate is \$104.66 per square foot.

**Landing Fees.** The Landing Fee Rate and Apron Rental Rate are calculated according to a cost center residual cost methodology which essentially provides for a breakeven financial result in the Airfield cost center. The Landing Fee Rate is calculated by adding the following Airfield allocated cost components, to establish the Airfield Requirement:

- Airport Operation and Maintenance Expenses as defined in the Master Indenture
- Operation and Maintenance Reserve Account deposit's
- Debt Service requirement, net of any PFC transfer
- Coverage Account deposit
- Less 5% of elements 1-4 above which is equal to the Apron Requirement
- Less Airfield revenues
- Amortization of RIAC-funded assets

In addition, RIAC management may choose to provide the airlines with a discretionary subsidy which reduces the Airfield Requirement in order to manage airline costs. The Airfield Requirement is then divided by the total landed weight of all aircraft using the airfield (measured in thousand pound units of landed weight) to arrive at the Landing Fee. The Landing Fee Rate for Signatory airlines in FY 2016 is \$6.07 per thousand pounds of landed weight.

As noted above the Apron Requirement is equal to five percent (5%) of the Airfield allocated operation and maintenance expenses, operation and maintenance reserve fund, and debt service net of PFCs. The Apron Fee Rate is calculated by dividing the Apron Requirement by the total amount of Apron rented space. The Apron Fee Rate for Signatory airlines in FY 2016 is \$1.87 per square foot

**Extraordinary Coverage Protection.** The Airline Agreement also includes a provision for Extraordinary Coverage Protection that allows RIAC to adjust airline rentals, fees, and charges upon 30-days prior written notice to the Signatory Airlines if RIAC estimates that it will not meet the Rate Covenant requirements for any Fiscal Year during the term of the Airline Agreement.

**Net Revenue Sharing.** Pursuant to the terms of the Airline Agreement, RIAC shares with the Signatory Airlines certain annual Net Revenues of the Airport System less required deposits, transfers, and certain other deductions (the Airline Net Revenue Sharing). The distribution of the Airline Net Revenue Sharing is based upon each Signatory Airline's share of enplaned passengers for the same Fiscal Year. The total amount of Airline Net Revenue Sharing is determined in the following manner:

1. RIAC retains the first \$1,000,000
2. Signatory Passenger Airlines share the next \$600,000
3. Signatory Airlines share 40% and RIAC retains 60% of amounts above the initial \$1.6 million.

In addition to the Airline Net Revenue Sharing required under the Airline Agreement, RIAC management may choose to provide the airlines with supplemental discretionary revenue sharing in order to manage airline costs.

**Capital Project Consultation.** Under the provisions of the Airline Agreement, RIAC has agreed to consult with the Signatory Airlines on an annual basis, or as otherwise necessary, regarding planned Capital Improvements at the Airport. There is no provision for a majority-in-interest vote. The decision to proceed with any planned Capital Improvements at the Airport is at the sole discretion of RIAC.

## **2.4 CAPITAL IMPROVEMENT PROGRAM**

As reflected in Exhibit A, RIAC has developed a five-year Capital Improvement Program (CIP) to provide funding for needed Capital Improvements in the Airport System from Fiscal Year (FY) 2017 through FY 2021. The project cost numbers reflected in Exhibit A reflect the total cost of each of the projects and include amounts spent prior to FY 2017.

### **2.4.1 Runway 5-23 Extension Project**

RIAC is issuing the proposed Series 2016D Bonds primarily to fund the Runway 5-23 Extension project (the Runway Extension) at the Airport. The Runway Extension represents expenditures of \$92.5 million (or 37.5% of the total CIP). The majority of projects in the CIP for the Airport are focused on the Airfield, with minimal planned capital projects in the Terminal area. When completed, the Runway 5 end will be extended south by approximately 1,530 feet to a total length of 8,700 feet. The major components of the work include the following components:

- Winslow Park facilities will be relocated to an airport owned site known as the Lakeshore Drive neighborhood. This work will include the relocation of six softball fields, three soccer fields, a children's playground, and a concession stand/rest room facility. Extensive roadway work will be required to allow access to the new facility via Airport Road.
- Relocation of Main Avenue and the perimeter roadways will be performed in order to move the existing roadways outside of the Runway Safety Area. Work will include extensive earthwork, paving, sidewalks, utility relocations, and traffic management solutions including new intersection designs and signalization. Mandatory land acquisition will be required to construct the realigned Main Avenue and aeronautical obstructions will also be removed to accommodate the approach surfaces to Runway 5.
- Engineered materials arresting system (EMAS) will be constructed on the southwest end of Runway 5-23.
- Parallel Taxiway M will be extended longitudinally with the runway and will include appropriate stub taxiways, a holding apron, entrance taxiways, and obligatory signage and lighting improvements.
- Land and residences will be acquired within the new RPZ for extended Runway 5-23.
- New navigational aids, airfield approach lighting, drainage improvements, utility relocations, site clearing, fencing, airfield lighting control system (ALCS) improvements

and electrical vault upgrades will be required to accomplish the overall runway extension program.

Exhibit A includes the estimated cost of the Runway Extension as provided by RIAC. Project costs would be funded by Airport Improvement Program (AIP) funds, existing bond proceeds, and RIAC discretionary funds in addition to the 2016D Bonds. Construction of the Runway Extension is underway as of the date of this report and is expected to be substantially complete by August 2017.

#### **2.4.2 Other 2016D/E Bonds Projects**

The Runway Extension is the primary project the cost of which proceeds from the 2016D Bonds will fund. Several other projects will be funded from the 2016D Bonds proceeds as well. These include:

- Airport Master Plan Update,
- Triturator upgrades,
- Demolition of various Airport properties and related costs,
- Demolition of an old terminal building at Quonset Airport construction of a new maintenance building.

Proceeds from the 2016E Bonds will be used in part to fund certain costs related to the acquisition of commercial property located near the Airport.

#### **2.4.3 Other Projects**

The remaining projects on RIAC's CIP are not being funded by the proposed 2016D/E Bonds; this includes the projects below as well as \$48.3 million in improvements at the five general aviation airports. The primary remaining improvements in the CIP at the Airport are as follows:

- Noise mitigation and sound insulation related to the Runway 5-23 Extension (\$32.2 million)
- Taxiway C improvements (\$20.0 million)
- Other noise mitigation and sound insulation (\$18.8 million )
- Runway 16-34 reconstruction (\$16.5 million)
- Airfield geometry improvements (\$6.0 million)
- Terminal improvements (\$5.6 million)
- Other projects (\$2.2 million)

Currently, RIAC has not developed a capital program for the Airport System after FY 2021. Capital improvements beyond FY 2021 have not been identified beyond those routinely necessary to ensure that the Airport continues to be a safe, secure, and efficient aviation facility (e.g., equipment replacement and major facility maintenance as needed).

### **2.5 FUNDING SOURCES**

The sources of funding for the planned projects in the CIP are shown in Exhibit A. The various funding sources are described briefly below.

### **2.5.1 Federal Grants-In-Aid**

Since the Airport is designated by the FAA as a small-hub airport, RIAC is eligible to receive grants-in-aid under the FAA's Airport Improvement Program (AIP) for up to 90% of the costs of eligible projects. Certain of these grants are received as "entitlement" grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other "discretionary" grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports nationwide. The level of federal funding shown in Exhibit A reflects a combination of (a) funds already received from the FAA and (b) future entitlement and/or discretionary funds expected to be received during the forecast period.

RIAC is currently using AIP entitlements and discretionary funds to pay for the Runway Extension and related projects. RIAC received a letter from the FAA in October 2012 which stated the FAA's intentions to consider AIP funding for the Runway 5-23 Extension and related projects in an amount up to \$50 million. This letter is not an official letter of intent (LOI) under 49 U.S.C. 47110(e) and does not obligate FAA to provide any funding.

Through Federal Fiscal Year 2015, RIAC has received grant awards in the amount of \$22.1 million in AIP funding for the Runway Extension and is anticipating an additional \$21.0 million in Federal Fiscal Year 2016. The remaining \$6.9 million is anticipated to be received in Federal Fiscal Year 2017. The amount of discretionary funding that the Runway Extension has already received is an indication of the high priority placed upon this project with regard to its importance to the national airspace system.

The Airport is currently the 3<sup>rd</sup> largest small hub airport in the United States and has been classified as a medium hub airport in recent history. If the Airport is reclassified in future years as a medium hub, the Airport's AIP entitlement funding would be reduced by 75% and the Airport would only be eligible to receive grants-in-aid under the FAA's AIP program for up to 75% of the costs of eligible projects. However, there is a two-year grace period during which the Airport would continue to be eligible to receive up to 90% of the costs of eligible projects, the level associated with small hub airports. RIAC has conservatively developed its CIP assuming that the Airport returns to medium hub status in the forecast period.

### **2.5.2 Airport Discretionary Funds**

Under the Indenture, funds deposited in RIAC's Airport General Purpose Fund (the General Purpose Fund), after meeting all required deposits to the funds and accounts identified in the Indenture, can be used for any lawful purpose, including paying the cost of construction for any capital improvement reasonably related to the Airport System. Exhibit A shows the amount of General Purpose Fund balances that RIAC expects to use for the CIP. In the event that General Purpose Fund balances are insufficient to pay for capital improvements, RIAC would defer the capital project, use amounts on reserve in other RIAC accounts, or seek additional financing such as another bond issue.

### **2.5.3 Passenger Facility Charges**

PFC revenues are also a key source of funding for the CIP. A portion of PFC revenues are currently used to pay Debt Service on certain series of Outstanding Bonds. PFC revenues are also used on a pay-as-you-go basis to directly fund the cost of certain projects. In the future, PFC revenues may also be used to pay Debt Service on future Additional Bonds.

Under federal regulations, approved PFC projects must preserve or enhance airport capacity, security or safety; mitigate the effects of aircraft noise; or enhance airline competition. Current PFC legislation allows for the collection of a PFC at certain levels between \$1.00 and \$4.50. Any future increase to the maximum PFC level would require Congressional action. FAA approval would then be required before an airport sponsor could begin charging at the higher level. An increase in the PFC level above \$4.50 was not assumed in this report.

PFC revenues are collected by the ticketing airline from each eligible enplaned passenger. A PFC may be charged on only the first two segments of a passenger's one-way trip. For example, a passenger who connects at two airports over the course of a one-way trip would only be charged a PFC on the first two segments of the trip. A small percentage of passengers such as airline employees and certain government officials do not pay a PFC. Of each PFC collected, airlines are allowed to retain \$0.11 to cover their administrative costs and must remit the remaining amount to the airport sponsor.

RIAC has had FAA approval to impose a PFC and use PFC revenues at the Airport since February 1, 1994. The PFC level at the Airport was increased from \$3.00 to \$4.50 per eligible enplaned passenger on September 1, 2006. Airlines are required to remit net PFC collections to RIAC on a monthly basis.

RIAC is currently utilizing PFC revenues to pay a portion of the Annual Debt Service related to the Series 2015A Bonds and Series 2016C Bonds, as well as the project costs of certain capital projects on a pay-as-you-go basis. The proposed 2016D Bonds are being issued to finance a portion of the Runway 5-23 Extension, which has been approved for PFC funds. Under the Thirteenth Supplemental Indenture, RIAC plans to designate certain PFC revenues as Pledged PFC Revenues to be used to pay a portion of the Annual Debt Service on the Series 2016D Bonds.

RIAC is approved to collect the PFC until the earlier of July 1, 2028 or until it has collected \$261.9 million in PFC revenues. Table 14 shows RIAC's approvals by PFC application. In the future, additional PFC applications and amendments may be submitted by RIAC to the FAA, which could extend the collection authority beyond current approvals or shorten authority to an earlier date.

Table 14  
**SUMMARY OF PFC PROGRAM AT THE AIRPORT**

Application	PFC Amount Approved for Use (a)
93-01-C-02-PVD	\$100,136,720
97-02-C-00-PVD	3,892,980
00-03-C-01-PVD	16,278,654
00-04-U-01-PVD	15,591,061
06-05-C-00-PVD	31,826,316
09-06-C-00-PVD	15,832,980
14-07-C-00-PVD	<u>78,377,045</u>
	<u>\$261,935,756</u>

(a) Amounts are reported inclusive of all amendments.  
 Source: Rhode Island Airport Corporation.

#### 2.5.4 Revenue Bond Financing

RIAC intends to use the net proceeds of Additional Bonds—specifically, the 2016D/E Bonds—to partially fund planned projects in the CIP. Exhibit B presents a summary of the estimated sources and uses of funds for the proposed 2016D/E Bonds as provided by Public Financial Management, Inc., RIAC’s Financial Advisor.

To the extent that RIAC does not receive the AIP grants, PFC revenues, or Airport discretionary funding shown in Exhibit A, RIAC intends to either (a) defer projects or reduce their scope as appropriate, or (b) issue Additional Bonds and/or use available Airport discretionary funds not already committed to fund the CIP.

**Proposed 2016D Bonds.** The proposed 2016D Bonds are assumed to be issued as fixed-rate Bonds, exempt from federal income taxation and not subject to the federal Alternative Minimum Tax (non-AMT). They will consist of new money bonds.

The anticipated sources of funds for the proposed 2016D Bonds are proceeds from the sale of the 2016D Bonds. A portion of the proceeds will be used to pay certain costs of the Extension of Runway 5-23 project, as well as for triturator improvements, the update of the Airport Master Plan, the demolition of an unused building at Quonset Airport, and the construction of new equipment garage located at Quonset Airport. Additionally, portions will also be used to fund deposits to the Capitalized Interest Fund and Debt Service Reserve Fund, as well as pay the costs of issuance for the 2016D Bonds and the underwriter’s discount, as shown in Exhibit B.

**Proposed 2016E Bonds.** The proposed 2016E Bonds are assumed to be issued as fixed-rate Bonds, subject to federal tax. They will consist of new money bonds.

The anticipated sources of funds for the proposed 2016E Bonds are proceeds from the sale of the 2016E Bonds. A portion of the proceeds will be used to pay certain costs related to the

acquisition of real property located at 2119 Post Road, Warwick, Rhode Island. Additionally, portions will also be used to fund a deposit to the Debt Service Reserve Fund, as well as pay the costs of issuance for the 2016E Bonds and the underwriter's discount, as shown in Exhibit B.

**Future Additional Bonds.** It is assumed that if future Additional Bonds are issued to finance planned projects in the CIP, they will be issued on parity with all Outstanding Bonds. However, there is no assurance that future Additional Bonds will be issued or, if issued, that they would be on parity with all Outstanding Bonds.

Currently, RIAC has no plans to issue Additional Bonds during the forecast period.

## 2.6 DEBT SERVICE REQUIREMENTS

Exhibit C presents estimated annual Debt Service for RIAC's Outstanding Bonds and the proposed 2016D/E Bonds by series and by Airport cost center. As presented on Exhibit C, Pledged PFC Revenues are applied to pay a portion of the Annual Debt Service on the Series 2015A Bonds, the Series 2016C Bonds, and the Series 2016D Bonds. Exhibit C also reflects a series of outstanding General Obligation (GO) bonds. The GO bonds were not issued under the Master Indenture.

As of May 15, 2016, nine series of RIAC Bonds, totaling \$226.0 million, were outstanding as shown on Table 15.

Series	Principal outstanding as of May 15, 2016
2008A	\$ 15,695,000
2008B	13,895,000
2008C	6,770,000
2013A	32,406,516*
2013B	30,700,000
2015A	42,345,000
2016A	26,847,692
2016B	26,970,000
2016C	<u>30,351,345</u>
	\$225,980,553

Source: Rhode Island Airport Corporation.  
\*Estimated principal amount; final principal amount will be established once all draws have been completed.

The estimated annual Debt Service for the proposed Bonds were provided by RIAC’s financial advisor, Public Financial Management, Inc., based on the assumptions shown in Table 16.

	<u>2016D Bonds</u>	<u>2016E Bonds</u>
Principal amount:	\$40,890,000	\$3,400,000
Final maturity:	July 1, 2046	July 1, 2021
True interest cost:	4.41%	3.55%
<hr/>		
Source: Public Financial Management, Inc., May 6, 2016.		

The Debt Service on each series of Bonds, net of amounts paid by Pledged PFC Revenues, are allocated to Airport cost centers on the basis of project costs to be financed by each series of Bonds.

## **2.7 OPERATION AND MAINTENANCE EXPENSES**

Exhibit D presents historical and forecast Operation and Maintenance Expenses for the Airport System. Operation and Maintenance Expenses include direct and indirect expenses and are allocated to the Airport cost centers in accordance with the Airline Agreement. Direct expenses are the expenses charged directly to one of the Airport cost centers:

- Airfield
- Terminal
- Landside
- GA Airports

Indirect expenses include the costs of salaries and wages, administration, general maintenance, utilities, police and fire reimbursement. These indirect expenses are allocated to the direct Airport cost centers according to procedures established by RIAC.

Operation and Maintenance Expenses are shown in Exhibit D for FY 2013 through FY 2021. Data for FY 2013 through FY 2015 were obtained from the RIAC’s internal financial records and reconciled with its audited financial statements. Operation and Maintenance Expenses for FY 2016 were based on RIAC’s budget and compared with unaudited partial year results for reasonableness. Operation and Maintenance Expenses for FY 2017 through FY 2021 were forecast using the FY 2016 budget estimates as a base and taking into account RIAC management’s expectations, facility development plans, expected increases in unit costs and inflation, and other assumptions.

The following assumptions are most notable:

- Airfield, terminal and other facilities will be developed in accordance with the plan documented in Section 2.4 “Capital Improvement Program,” and, according to RIAC, incremental Operation and Maintenance Expenses associated with the planned CIP are not expected to be significant.
- The unit costs of salaries, wages, materials, services, utilities and supplies will increase partially in proportion to the forecast growth in enplanements as presented in Table 13 in the earlier Section 1.7, “Airline Traffic Forecasts,” and partially in proportion to changes in Consumer Price Index – All Urban Customers (the CPI-U), assumed to be 2.0% annually. The Consumer Price Index – All Urban Customers (the CPI-U) has averaged 1.7% for the years 2011 through 2015.
- Airfield-related expenses will increase slightly with the completion of the Runway Extension in FY 2018.

Based on these and other assumptions, Operation and Maintenance Expenses of the Airport System are forecast to increase from \$32.8 million budgeted for FY 2016 to \$37.7 million in FY 2021, representing a compound annual growth rate of 2.8%.

## **2.8 AIRPORT REVENUES**

Exhibit E-1 presents Revenues for FY 2013 through FY 2021. Individual components of Revenues are forecast on the basis of the RIAC’s operating budget for FY 2016, which was compared with unaudited partial year results for reasonableness. The Series 2016A, Series 2016B, and Series 2016C Bonds were issued after the preparation of the FY 2016 budget. Revenues that change with debt service have been updated from the budgeted levels to reflect the new debt service numbers. Revenues from sources related to passengers, such as automobile parking revenues, are forecast to increase as a function of the forecast growth in airline traffic as described earlier in Section 1, “Airline Traffic Analysis.” Items tied to inflation, such as fuel flowage fees, were assumed to increase at a rate of 2.0% per year, based on the historical average for the CPI-U. The assumptions underlying the increases in individual components of Revenues are described in the following sections.

### **2.8.1 Airline Rentals, Fees, and Charges**

As stated previously, RIAC recently finalized a new Airline Agreement which will expire on June 30, 2020. The Airline Agreement is substantially similar to the prior agreement which had been in place for the five previous fiscal years. For purposes of this Report, it is assumed an extended agreement will become effective at that time, with substantially similar provisions to the current Airline Agreement. As such, the methodology for calculating airline rentals, fees, and charges under the current Airline Agreement was assumed to continue through the entire forecast period (FY 2021).

The following Airport System costs are included in the calculation of airline rentals, fees, and charges:

1. The total of direct and allocated indirect estimated Operation and Maintenance Expenses;
2. The total portion of the Annual Debt Service, net of Passenger Facility Charges, if any, and Coverage Requirement;
3. The estimated amount, if any, for required deposits to funds and accounts established in Bond Documents, including, but not limited to the T. F. Green Operation and Maintenance Reserve Requirement; and
4. The annual Amortization of the total amount of any expenditures made by RIAC for Capital Improvements.

The forecasts of airline rentals, fees, and charges provided in the financial exhibits at the end of this attachment and discussed below include costs associated with existing Airport facilities and additional costs, such as estimated Annual Debt Service for Bonds forecast to be necessary to fund planned projects in the CIP. The aggregate passenger airlines payments per enplaned passenger under the Airline Agreement are shown in Exhibit E-1.

The following sections summarize the forecasts of Signatory Airline revenues under the terms of the Airline Agreement.

**Landing Fees.** Exhibit E-2 presents the calculation of forecast Signatory Airline Landing Fees. The Landing Fee Rate is calculated utilizing a cost center residual methodology. Signatory Airline Landing Fees are calculated by deriving the total annual Airfield Requirement which includes the Airfield Cost Center's share of costs as listed in the above section. Deducted from this total is 5%, which is then charged as an Apron Fee. Further deducted from this total is the sum of Revenues allocable to the Airfield Cost Center, except Signatory Airline Landing Fees and Non-Signatory Airline Landing Fees, which includes, general aviation, ground rentals and other miscellaneous Airfield-related revenues, thus providing a gross Airfield Requirement.

RIAC, at its sole discretion, may provide a subsidy to the calculated gross Airfield Requirement in order to reduce the amount which is recovered through Landing Fees and arrive at an Adjusted Airfield Requirement.

The Adjusted Airfield Requirement is then divided by the forecast total aggregate landed weight of all Airlines and their Affiliate Airlines to derive the Signatory Airline landing fee rate per 1,000-pound unit of aircraft landed weight. The non-signatory airline landing fee rate is 125% of the Signatory Airline landing fee rate.

**Apron Fees.** RIAC charges Signatory Airlines for leased Apron area. The Apron Fee Rate is calculated by dividing five percent (5%) of the Airfield Requirement by the square footage of Apron leased by Signatory Airlines. Thus, the allocated costs of the Apron are fully recovered from the Signatory Airlines.

**Terminal Rentals.** Exhibit E-2 also presents the calculation of forecast Signatory Airline Terminal Rentals. The Airline Agreement allows RIAC to collect Terminal Rentals on a commercial compensatory basis to recover the Terminal Cost Center's share of costs as listed in the above section (collectively, the Terminal Requirement).

An average rental rate for the terminal is calculated by dividing the Terminal Requirement by total Leasable Space. The non-signatory airline terminal rental rate is 125% of the Signatory Airline Terminal Rental Rate.

### **2.8.2 Other Airfield Revenues**

RIAC also derives revenue from aeronautical sources related to the Airfield which are not considered components of airline revenues. These include leases of hangars, cargo space, ground rentals, and tie downs on the general aviation ramp, as well as other miscellaneous incidental charges.

Additionally, fuel flowage fee revenues are generated from fuel sales and commissions by a \$0.02 per gallon fuel flowage fee for all fuel dispensed or sold to airlines at the Airport. The majority of this revenue is based upon a minimum annual guarantee (MAG) per the terms of the agreement with the fixed base operator (FBO) and a fuel consortium. Collectively, the FBO and fuel consortium have a MAG of \$750,000.

### **2.8.3 Nonairline Revenues**

Exhibit E-1 also presents historical and forecast revenues from sources other than airline rentals, fees, and charges for FY 2013 through FY 2021.

**Terminal Rentals.** RIAC receives revenue from the rental of terminal space from tenants other than Signatory Airlines. Included in this category are: rentals for taxi, shuttle van, limousine, ATM machines, the Transportation Security Administration (the TSA), and miscellaneous retail and office space. Such rent is charged on a fair market value basis, rather than the cost recovery basis upon which airline terminal rentals are based. Non-airline rents are charged to tenants Nonairline terminal rentals totaled \$1.0 million in FY 2013 and FY 2015, growing at a compound annual rate of 0.6%.

TSA rentals comprise approximately \$260,000 of these revenues annually. Their lease incorporates annual increases on December 1 of each year, through November 30, 2020. The final year of the lease, TSA will pay rental charges of \$303,000.

These rentals are forecast to increase at the assumed inflation rate of 2.0% throughout the forecast period, representing periodic increases in fair market value rental rates.

**Terminal Concessions.** Terminal concession revenues are comprised of revenues from food, retail, and advertising concessionaires at the Airport. Revenues are generally a function of the terms of concessionaire agreements, which typically include MAGs or MMGs with scheduled increases. Terminal concessions revenues were \$3.6 million in FY 2015.

Terminal concession revenues as a whole are forecast to increase annually at 2.5%, reflecting the average of the agreed-upon increases for the concession agreements in aggregate.

*Food and Beverage.* RIAC has a concession agreement with HMS Host to lease and develop the food and beverage concession at the Airport. This agreement expires on June 30, 2020. There is no option to extend the agreement beyond the date of expiration. HMS Host operates the food and beverage outlets throughout the terminal facilities. Outlets located pre-security, which are accessible to all airport visitors, include the Federal Tavern and a Starbucks Café. Post-security outlets, which are accessible only to ticketed, security-screened passengers, include: Budweiser Bowtie, Dunkin' Donuts, Famous Famiglia, Johnny Rockets, Providence Oyster Bar, Shipyard Brew Pub, Starbucks Café, and Wolfgang Puck Express.

Under the terms of the agreement, the concessionaire pays RIAC a percentage of gross revenues, or a MAG, whichever is greater. The MAG is currently \$2,192,000 annually, with a 2.5% increase each July 1 until the end of the agreement. HMS Host is currently paying the MAG. This amount comprises approximately 70% of the total guaranteed payments under terminal concessions agreements.

*News, Gift, and Retail.* Several news, gift, and retail outlets are operated throughout the terminal building at the Airport. Paradies operates the retail programs at the Airport under an agreement with RIAC that expires on June 30, 2018. There is no explicit option to extend the agreement beyond the date of expiration. However, the forecast assumes that upon expiration, RIAC will enter into a new agreement with substantially similar financial terms.

The retail outlets at the Airport are all located post-security and include: Brighton, Brooks Brothers, CNBC News, Explore! Rhode Island, Federal Hill News, New York Times Bookstore, and Ocean State Travel Mart.

Under the terms of the agreement, Paradies pays RIAC the greater of a percentage of gross revenues, or a MAG amount of \$858,000. This amount comprises approximately 27% of the total guaranteed payments under terminal concessions agreements. Per the agreement, the MAG increases 2.5% annually on July 1 through the end of the agreement.

*Other Concessions.* RIAC also has agreements that generate concession revenues with a number of other concessionaires that provide passenger amenities. These concessionaires include: Shades (sunglasses), Candy Hangar (chocolates, candies, and sweets), Travelex (currency exchange), Healing Hands (massage therapy), PVD Shines (shoe shine services), iShoppes (Duty Free), Zoom Systems (automated retail outlets), and Gineva Murano Glass Jewelry.

These concessionaires have agreements with varying provisions for MMGs, annual payment increases, and expiration dates. In aggregate, these other agreements comprise approximately 3% of the total guaranteed payments under terminal concessions agreements.

**Parking.** The Airport's public parking facilities are operated under a management agreement with SP Plus Corporation (doing business as Standard Parking Corporation). On July 1, 2016, RIAC will enter a new two-year agreement with SP Plus Corporation, which will

expire June 30, 2018. The agreement will have three, one-year extensions at RIAC's sole discretion. RIAC owns all facilities with the exception of Garage C, which is leased from New England Parking, LLC for a ten-year term ending November 30, 2017. Under this lease, RIAC is responsible for maintenance, operations, and revenue collection, which is performed by Standard Parking under the terms of its agreement.

The number of spaces and parking rates for each parking facility as of April 2016 are presented in Table 17 below. The Airport also has a cell phone waiting lot, approximately a three-minute drive from the terminal arrival's curb. The cell phone lot has 50 spaces and accommodates drivers who arrive at the Airport to pick up passengers. Vehicles cannot be left unattended in this lot.

Table 17  
**AIRPORT PUBLIC PARKING FACILITIES**  
T.F. Green Airport  
April 2016

Parking facilities	Number of spaces	Parking rates
Lot D – Short term / hourly	420	\$3 for the first 30 minutes; \$6 for the first hour; \$3 each additional hour; \$26 per day maximum
Garage A – Daily Garage	1,500	\$26 per day
Garage B – Daily Garage	720	\$21 per day
Garage C – Daily/Weekly	1,540	\$18 per day; \$72 per week
Express Lot E – Daily/Weekly	4,360	\$13 per day; \$65 per week
Express Lot E – Overflow	<u>1,200</u>	
Total	9,740	

Source: Rhode Island Airport Corporation.

The parking revenues shown in Exhibit E-1 are net of Standard Parking management fees and certain costs related to parking paid directly by Standard Parking which RIAC reimburses. Revenues are also reported net of a five-percent (5%) surcharge imposed by the City of Warwick.

The revenues are forecast to fluctuate as a function of forecast changes in numbers of enplaned passengers. RIAC reviews parking fees on an annual basis. It is possible that a parking fee increase will be implemented if management believes an increase is warranted. No adjustments to parking rates during the forecast period have been assumed for purposes of this Report.

Parking revenues were \$11.4 million in FY 2015, equivalent to approximately \$6.43 per enplaned passenger.

Currently, RIAC experiences competition from an off-Airport operator whose facilities are located near the Airport property. RIAC intends to use proceeds from the 2016E Bonds to purchase the land on which this operator is located. RIAC management believes that this will result in an increase in on-Airport parking revenues as a consequence of increased parking demand at on-Airport facilities. For purposes of this Report, a 3% incremental increase in public parking revenues as a result of this transaction has been assumed.

Parking revenues were forecast assuming the following:

1. Parking demand will change from FY 2016 levels in proportion to forecast increases in number of enplaned passengers.
2. All parking facilities will continue to be operated under management agreements with financial terms substantially the same as the current agreement.

**Interlink Facility.** The InterLink facility opened in the fall of 2010. It is located adjacent to Interstate 95, approximately 1,500 feet from the front of the terminal building at the Airport, and is directly connected to the Airport via an elevated moving skywalk system. The facility connects planes, trains, buses, and cars. It includes a train platform, a parking garage that provides parking for both commuters and rental car operators serving the Airport, and a rental car customer service area providing for a consolidated rental car facility for the Airport.

InterLink Facility revenues include Customer Facility Charges (CFCs), rental car rental fees, and commuter parking revenues. CFC revenue is based on a collection rate of \$6.00 per rental car transaction-day. In FY 2015, CFC revenues were \$5.9 million, InterLink rental income was \$1.6 million, InterLink parking revenue was \$260,000. Revenues from the InterLink facility, including CFC revenues, do not secure the Outstanding Bonds under the Indenture and will not be security for the 2016D/E Bonds.

**Rental Car.** Six rental car companies serve the Airport under rental car concession agreements, including Avis, Budget, Enterprise (operating as Enterprise, Alamo, and National), Hertz (operating as Hertz, Dollar, and Thrifty), Payless, and Zipcar.

RIAC's rental car revenues are generated from both a 10% commission on gross sales for rental car companies and the rental of maintenance sites. RIAC collected \$5.0 million in rental car revenues in FY 2015 which are included in Airport Revenues.

For purposes of this Report, it is assumed that the current operating arrangement and business terms will continue in substantially similar form and produce similar financial results through the forecast period.

Percentage fees from the rental car companies are forecast to increase in proportion to the forecast increase in destination passengers (passengers terminating their journeys at the Airport). No adjustments have been assumed as a result of inflationary factors. It is assumed

that rental car industry consolidation, both historical and future, will have no material effect on the revenues forecast to be paid collectively by the rental car companies to RIAC.

**Airport Access Fees.** Historically, RIAC has earned other landside revenue from two categories of airport access fees: off-airport parking courtesy fees and hotel courtesy fees. Off-airport parking concerns pay RIAC a 12% commission based on gross sales. In FY 2015, RIAC earned \$510,000 from off-airport parking courtesy fees. With RIAC's purchase of an off-airport parking competitor, these fees are assumed to reduce in FY 2017. Hotel Courtesy fees for shuttle bus access to the commercial curb generated \$200,000 in revenues in FY 2015. For purposes of this Report, they are forecast to hold steady at materially the same level through the forecast period.

**Utilities Reimbursement.** RIAC recognizes revenue from utilities reimbursement charges it collects from non-airline tenants in the terminal building. These amounts are reported as gross collections and the corresponding expense also appear in RIAC's financial statements. Utilities reimbursements are approximately \$300,000 annually and are forecast to adjust corresponding with the change in utilities costs through the forecast period.

#### **2.8.4 Other Non-Operating Revenues**

In addition to PFCs, RIAC earns certain other revenues which are non-operating in nature. Customer facility charges (CFCs) are classified as non-operating and are accounted for within revenues attributed to the InterLink facility. CFCs and other InterLink facility revenues serve to secure the Special Facility Bonds issued under a separate bond indenture, with the purpose of funding construction of the InterLink facility. No revenues which secure the 2016D/E Bonds also secure the Special Facility Bonds.

Other non-operating revenues, such as investment income and other income, are considered Revenues for purposes of meeting covenants for the 2016D/E Bonds.

#### **2.8.5 General Aviation Airports Revenues**

Revenues generated from the annual operation of the five general aviation airports in the Airport System include building and ground leases, fuel flowage fees and other miscellaneous revenues. These revenues were between \$6.3 million and \$6.6 million from FY 2013 through FY 2015 and are budgeted to be \$7.4 million in FY 2016.

Airport Support Fund revenues and related expenses are derived from RIAC land parcels at Quonset Airport managed by the Corporation through its subsidiary, the Quonset Development Corporation (QDC). Personnel and Operating expense allocations from QDC to manage these properties are budgeted and charged as a percentage of revenue. For purposes of this Report, these revenues are considered a component of general aviation revenues.

During the period from FY 2013 to FY 2015, the five general aviation airports incurred a deficit of between \$300,000 and \$400,000 annually. Revenue from the general aviation airports is forecast to increase at the assumed inflation rate of 1.7% annually. The annual deficit is forecast to decrease to approximately \$200,000.

## **2.9 APPLICATION OF REVENUES**

Exhibit F-1 presents the forecast application of Revenues consistent with the flow of funds established under the Indenture described under Section 2.2.2 of this report.

## **2.10 APPLICATION OF PFC REVENUES**

Exhibit F-2 presents the forecast application of PFC revenues. As mentioned earlier, PFC revenues are excluded from the definition of Revenues in the Indenture. An average of 92% of enplaned passengers at the Airport paid a PFC between FY 2013 and FY 2015. The calculation of the percentage of enplaned passengers paying a PFC is based on total enplaned passengers at the Airport, even though certain classes of carriers are exempt from collecting a PFC from their passengers at the Airport.

In preparing the forecasts, it was assumed that RIAC will continue to impose a \$4.50 PFC at the Airport through the forecast period and that 92% of total enplaned passengers using the Airport will pay a PFC. As shown, PFC collections and available balances are forecast to exceed PFC revenues applied to pay Annual Debt Service on Outstanding Bonds and the proposed 2016D Bonds during the forecast period.

## **2.11 DEBT SERVICE COVERAGE AND RATE COVENANT COMPLIANCE**

As shown in Exhibit G, RIAC is forecast to be in compliance with both the Rate Covenant and Conditions for Issuing Additional Obligations Secured by Net Revenues. Amounts Available to Pay Debt Service are forecast to equal or exceed 125% of the Annual Debt Service in each Fiscal Year of the forecast period.

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Exhibit A

**CAPITAL IMPROVEMENT PROGRAM**  
 Rhode Island Airport Corporation  
 For Fiscal Years 2017 through 2021, ending June 30

	Estimated Total				Outstanding	Proposed Series
	Project Cost (a)	AIP Grants	PFC	RIAC	Bonds	2016 D/E Bonds
<b>T.F. GREEN AIRPORT</b>						
<b>Airfield</b>						
Runway 5-23 Extension	\$ 92,500,000	\$ 50,000,000	\$ 3,997,153	\$ 201,041	\$ 4,301,806	\$ 34,000,000
Noise mitigation and sound insulation related to Runway 5-23 Extension	32,197,000	27,934,381	4,262,619	-	-	-
Runway 34 Taxiway C improvements (b)	20,000,000	15,000,000	5,000,000	-	-	-
Noise mitigation and sound insulation	18,795,000	15,036,000	3,759,000	-	-	-
Runway 16-34 reconstruction (b)	16,500,000	12,375,000	-	4,125,000	-	-
Airfield geometry improvements (b)	6,000,000	4,500,000	1,500,000	-	-	-
Runway 16-34 obstructions	1,673,212	1,505,891	-	167,321	-	-
Triturator upgrade	725,000	-	-	-	-	725,000
Demolition of miscellaneous properties	500,000	-	-	-	-	500,000
Subtotal	\$ 188,890,212	\$ 126,351,272	\$ 18,518,772	\$ 4,493,362	\$ 4,301,806	\$ 35,225,000
<b>Terminal</b>						
Terminal improvements	\$ 5,584,238	\$ -	\$ -	\$ 5,584,238	\$ -	\$ -
Airport improvement mitigation measures	500,000	375,000	125,000	-	-	-
Subtotal	\$ 6,084,238	\$ 375,000	\$ 125,000	\$ 5,584,238	\$ -	\$ -
<b>Airfield/Terminal</b>						
Master plan update	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ 1,000,000
<b>Landside</b>						
Purchase of commercial property	\$ 3,100,000	\$ -	\$ -	\$ -	\$ -	\$ 3,100,000
<b>Subtotal T.F. Green Airport</b>	\$ 199,074,450	\$ 126,726,272	\$ 18,643,772	\$ 10,077,600	\$ 4,301,806	\$ 39,325,000
<b>GENERAL AVIATION AIRPORTS</b>						
	\$ 48,326,332	\$ 33,818,699	\$ -	\$ 11,557,633	\$ -	\$ 2,950,000
<b>Total</b>	<b>\$ 247,400,782</b>	<b>\$ 160,544,971</b>	<b>\$ 18,643,772</b>	<b>\$ 21,635,233</b>	<b>\$ 4,301,806</b>	<b>\$ 42,275,000</b>

(a) Estimated total project cost of each of the projects include amounts spent prior to FY 2017.

(b) Project is anticipated by RIAC to begin in FY 2019 or later. As such, project costs and funding plan are preliminary and subject to change.

Source: Rhode Island Airport Corporation.

Exhibit B

**SOURCES AND USES**  
Rhode Island Airport Corporation

	Proposed Series 2016D Bonds	Proposed Series 2016E Bonds	Total issue
<b>Sources of Funds (a)</b>			
Par amount	\$ 40,890,000	\$ 3,400,000	\$ 44,290,000
Original offering premium	3,901,502	-	3,901,502
Total sources	\$ 44,791,502	\$ 3,400,000	\$ 48,191,502
<b>Uses of Funds (a)</b>			
Deposit to the Project Fund	\$ 39,175,000	\$ 3,100,000	\$ 42,275,000
Deposit to the Debt Service Reserve Fund	2,946,960	245,040	3,192,000
Deposit to the Capitalized Interest Fund	2,055,858	-	2,055,858
Underwriter's discount	204,450	17,000	221,450
Costs of issuance and other	409,233	37,960	447,194
Total uses	\$ 44,791,502	\$ 3,400,000	\$ 48,191,502

(a) Preliminary figures subject to change.

Source: Public Financial Management, May 6, 2016.

Exhibit C

**DEBT SERVICE**  
Rhode Island Airport Corporation  
For Fiscal Years ending June 30

	Historical (a)		Estimate (b)		Forecast				
	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>DEBT SERVICE REQUIREMENTS</b>									
<b>By Series</b>									
General Obligation (GO)	\$ 1,904,631	\$ 1,717,324	\$ 1,596,634	\$ 128,462	\$ 133,000	\$ 107,000	\$ 78,000	\$ 50,000	\$ 23,000
General Airport Revenue Bonds (GARB)									
1994	1,276,350	1,273,300	-	-	-	-	-	-	-
1998	1,603,000	809,377	-	-	-	-	-	-	-
2003	3,194,219	1,065,012	-	-	-	-	-	-	-
2004	2,439,130	2,440,890	2,471,583	-	-	-	-	-	-
2005	9,315,664	9,307,164	9,309,664	2,305,135	-	-	-	-	-
2008	4,692,900	4,697,219	4,689,894	4,686,694	4,689,000	4,693,000	2,200,000	2,201,000	2,201,000
2013A	-	52,018	1,331,955	1,937,590	2,252,000	2,250,000	2,249,000	2,247,000	2,245,000
2013B	-	491,298	1,423,381	1,423,381	1,423,000	1,423,000	3,883,000	3,880,000	3,886,000
2013C	-	1,071,343	854,411	-	-	-	-	-	-
2015A	-	-	869,002	5,686,900	5,690,000	5,686,000	5,681,000	5,688,000	5,688,000
2016A	-	-	-	1,521,621	3,722,000	3,722,000	3,725,000	3,721,000	3,724,000
2016B	-	-	-	467,188	1,009,000	1,009,000	1,009,000	1,012,000	1,009,000
2016C	-	-	-	1,174,339	2,959,000	2,963,000	2,961,000	2,963,000	2,960,000
Proposed 2016D	-	-	-	-	-	2,037,000	2,045,000	2,045,000	2,045,000
Proposed 2016E	-	-	-	-	743,000	742,000	745,000	741,000	744,000
Subtotal GARB Debt Service Requirements	\$ 22,521,263	\$ 21,207,620	\$ 20,949,890	\$ 19,202,847	\$ 22,487,000	\$ 24,525,000	\$ 24,498,000	\$ 24,498,000	\$ 24,502,000
Application of Pledged PFC Revenues (c)	(4,168,193)	(3,693,672)	(2,782,662)	(3,106,150)	(3,109,000)	(5,052,000)	(5,057,000)	(5,061,000)	(5,060,000)
Total	\$ 20,257,701	\$ 19,231,272	\$ 19,763,862	\$ 16,225,159	\$ 19,511,000	\$ 19,580,000	\$ 19,519,000	\$ 19,487,000	\$ 19,465,000
<b>By Cost Center</b>									
Airfield (d)	\$ 5,620,427	\$ 5,456,292	\$ 6,608,255	\$ 5,611,111	\$ 6,770,000	\$ 6,688,000	\$ 6,720,000	\$ 6,706,000	\$ 6,692,000
Terminal (d)	9,051,180	8,452,546	7,818,743	6,370,811	7,505,000	7,488,000	7,388,000	7,389,000	7,386,000
Landside	2,614,282	2,442,238	2,510,351	2,395,839	3,205,000	3,206,000	3,862,000	3,857,000	3,863,000
General aviation airports	2,971,812	2,880,195	2,826,513	1,847,398	2,031,000	2,198,000	1,549,000	1,535,000	1,524,000
Total	\$ 20,257,701	\$ 19,231,272	\$ 19,763,862	\$ 16,225,159	\$ 19,511,000	\$ 19,580,000	\$ 19,519,000	\$ 19,487,000	\$ 19,465,000

(a) Source: Rhode Island Airport Corporation financial statements and records for years noted.

(b) Source: Rhode Island Airport Corporation. FY 2016 Budget was established prior to the issuance of the Series 2016A, Series 2016B, and Series 2016C Bonds, so an estimate is used.

(c) Pledged PFC Revenues apply to the Series 2015A, Series 2016C, and Proposed Series 2016D bonds.

(d) Net of Pledged PFC Revenues for the Series 2015A, Series 2016C, and Proposed Series 2016D bonds.

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Exhibit D

**EXPENSES**

Rhode Island Airport Corporation  
For Fiscal Years ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical (a)			Budget (b)		Forecast			
	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>BY LINE ITEM</b>									
Payroll	\$ 13,618,187	\$ 14,040,048	\$ 14,806,222	\$ 15,742,500	\$ 16,303,000	\$ 16,675,000	\$ 17,056,000	\$ 17,447,000	\$ 17,847,000
Benefits	3,604,958	3,738,865	3,978,015	4,036,500	4,191,000	4,292,000	4,396,000	4,503,000	4,612,000
Utilities	1,778,580	2,281,477	2,554,798	2,496,500	2,602,000	2,688,000	2,778,000	2,870,000	2,966,000
M&O	7,233,710	7,616,948	7,151,155	7,427,700	7,716,000	7,942,000	8,178,000	8,418,000	8,665,000
Admin	2,102,579	2,468,420	2,426,843	3,069,800	3,176,000	3,282,000	3,392,000	3,505,000	3,622,000
Total	<u>\$ 28,338,014</u>	<u>\$ 30,145,758</u>	<u>\$ 30,917,033</u>	<u>\$ 32,773,000</u>	<u>\$ 33,988,000</u>	<u>\$ 34,879,000</u>	<u>\$ 35,800,000</u>	<u>\$ 36,743,000</u>	<u>\$ 37,712,000</u>
<b>BY COST CENTER</b>									
<b>Airfield</b>									
Direct	\$ 6,968,505	\$ 6,473,783	\$ 6,884,042	\$ 7,531,108	\$ 7,522,000	\$ 7,676,000	\$ 7,834,000	\$ 7,994,000	\$ 8,158,000
Indirect	<u>2,341,792</u>	<u>2,419,196</u>	<u>2,483,900</u>	<u>2,778,420</u>	<u>2,937,000</u>	<u>3,006,000</u>	<u>3,077,000</u>	<u>3,148,000</u>	<u>3,221,000</u>
Subtotal	\$ 9,310,298	\$ 8,892,979	\$ 9,367,942	\$ 10,309,528	\$ 10,459,000	\$ 10,682,000	\$ 10,911,000	\$ 11,142,000	\$ 11,379,000
<b>Terminal</b>									
Direct	\$ 10,482,905	\$ 11,308,900	\$ 11,474,940	\$ 11,539,896	\$ 12,286,000	\$ 12,657,000	\$ 13,042,000	\$ 13,438,000	\$ 13,846,000
Indirect	<u>3,522,819</u>	<u>4,226,038</u>	<u>4,140,387</u>	<u>4,719,606</u>	<u>4,798,000</u>	<u>4,956,000</u>	<u>5,122,000</u>	<u>5,292,000</u>	<u>5,467,000</u>
Subtotal	\$ 14,005,724	\$ 15,534,938	\$ 15,615,327	\$ 16,259,502	\$ 17,084,000	\$ 17,613,000	\$ 18,164,000	\$ 18,730,000	\$ 19,313,000
<b>Landside</b>									
Direct	\$ 469,993	\$ 820,857	\$ 600,785	\$ 415,747	\$ 623,000	\$ 636,000	\$ 650,000	\$ 665,000	\$ 680,000
Indirect	<u>885,717</u>	<u>1,039,279</u>	<u>1,049,632</u>	<u>1,184,465</u>	<u>1,213,000</u>	<u>1,247,000</u>	<u>1,282,000</u>	<u>1,318,000</u>	<u>1,355,000</u>
Subtotal	\$ 1,355,710	\$ 1,860,137	\$ 1,650,417	\$ 1,600,212	\$ 1,836,000	\$ 1,883,000	\$ 1,932,000	\$ 1,983,000	\$ 2,035,000
<b>General aviation airports</b>									
Direct	\$ 3,138,868	\$ 3,250,384	\$ 3,628,694	\$ 3,855,331	\$ 3,856,000	\$ 3,931,000	\$ 4,007,000	\$ 4,084,000	\$ 4,163,000
Indirect	<u>527,414</u>	<u>607,320</u>	<u>654,653</u>	<u>748,427</u>	<u>753,000</u>	<u>770,000</u>	<u>787,000</u>	<u>804,000</u>	<u>822,000</u>
Subtotal	\$ 3,666,282	\$ 3,857,704	\$ 4,283,346	\$ 4,603,758	\$ 4,609,000	\$ 4,701,000	\$ 4,794,000	\$ 4,888,000	\$ 4,985,000
<b>Total</b>	<u>\$ 28,338,014</u>	<u>\$ 30,145,758</u>	<u>\$ 30,917,033</u>	<u>\$ 32,773,000</u>	<u>\$ 33,988,000</u>	<u>\$ 34,879,000</u>	<u>\$ 35,801,000</u>	<u>\$ 36,743,000</u>	<u>\$ 37,712,000</u>
<i>Percent increase</i>		6.4%	2.6%	6.0%	3.7%	2.6%	2.6%	2.6%	2.6%

(a) Source: Rhode Island Airport Corporation financial statements and records for years noted.

(b) Source: Rhode Island Airport Corporation.

## Exhibit E-1

## REVENUES

Rhode Island Airport Corporation  
For Fiscal Years ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical (a)			Estimate (b)		Forecast			
	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>AIRLINE REVENUES</b>									
Landing Fees	\$ 10,196,462	\$ 10,047,316	\$ 11,173,986	\$ 12,414,583	\$ 13,219,000	\$ 13,317,000	\$ 13,411,000	\$ 13,518,000	\$ 13,580,000
Terminal Rents	13,464,564	14,205,910	13,819,795	13,392,452	14,889,000	15,095,000	15,360,000	15,697,000	16,043,000
Apron Rentals	782,281	763,101	814,604	798,709	865,000	871,000	884,000	895,000	906,000
Airline equipment charge	32,960	47,155	6,701	6,227	6,000	6,000	6,000	6,000	6,000
Subtotal airline revenues	\$ 24,476,267	\$ 25,063,482	\$ 25,815,086	\$ 26,611,971	\$ 28,979,000	\$ 29,289,000	\$ 29,661,000	\$ 30,116,000	\$ 30,535,000
Airline revenue sharing (c)	(2,651,578)	(2,824,373)	(1,472,354)	(1,882,342)	(3,410,000)	(2,474,000)	(2,445,000)	(2,486,000)	(2,500,000)
Subtotal airline revenues after revenue sharing	\$ 21,824,689	\$ 22,239,109	\$ 24,342,732	\$ 24,729,630	\$ 25,569,000	\$ 26,815,000	\$ 27,216,000	\$ 27,630,000	\$ 28,035,000
<b>Airline payments per enplaned passenger</b>									
Cargo airline landing fees	(507,082)	(509,314)	(614,415)	(644,407)	(686,000)	(691,000)	(696,000)	(702,000)	(705,000)
Passenger airline revenues	\$ 21,317,607	\$ 21,729,795	\$ 23,728,317	\$ 24,085,222	\$ 24,883,000	\$ 26,124,000	\$ 26,520,000	\$ 26,928,000	\$ 27,330,000
Enplaned passengers	1,853,705	1,846,176	1,776,424	1,811,400	1,839,200	1,867,400	1,896,400	1,925,600	1,955,400
Airline payments per enplaned passenger	\$ 11.50	\$ 11.77	\$ 13.36	\$ 13.30	\$ 13.53	\$ 13.99	\$ 13.98	\$ 13.98	\$ 13.98
<b>NONAIRLINE REVENUES</b>									
<b>Airfield</b>									
Tie down and hangar rent	\$ 1,332,575	\$ 1,265,054	\$ 1,263,654	\$ 1,262,000	\$ 1,287,000	\$ 1,313,000	\$ 1,339,000	\$ 1,366,000	\$ 1,393,000
Fuel flowage fees	1,028,787	900,432	877,977	823,500	840,000	857,000	874,000	891,000	909,000
Miscellaneous	274,631	321,170	300,473	20,000	318,000	324,000	330,000	336,000	342,000
Subtotal	\$ 2,635,993	\$ 2,486,656	\$ 2,442,104	\$ 2,105,500	\$ 2,445,000	\$ 2,494,000	\$ 2,543,000	\$ 2,593,000	\$ 2,644,000
<b>Terminal</b>									
Non-airline rent	\$ 1,018,420	\$ 1,050,744	\$ 1,031,437	\$ 1,036,000	\$ 1,057,000	\$ 1,078,000	\$ 1,100,000	\$ 1,122,000	\$ 1,144,000
Concessions	3,450,387	3,580,284	3,628,352	3,740,000	3,829,000	3,920,000	4,014,000	4,110,000	4,208,000
Miscellaneous	287,086	329,710	373,617	346,000	354,000	362,000	371,000	380,000	389,000
Subtotal	\$ 4,755,893	\$ 4,960,738	\$ 5,033,406	\$ 5,122,000	\$ 5,240,000	\$ 5,360,000	\$ 5,485,000	\$ 5,612,000	\$ 5,741,000
<b>Landside</b>									
Automobile parking	\$ 11,433,527	\$ 12,028,198	\$ 11,383,448	\$ 12,420,000	\$ 12,611,000	\$ 13,189,000	\$ 13,394,000	\$ 13,601,000	\$ 13,811,000
Rental car revenues	5,111,211	5,028,966	5,035,153	5,070,000	5,148,000	5,227,000	4,777,200	4,851,000	4,926,000
Miscellaneous	1,219,917	1,302,270	1,392,799	847,900	835,000	845,000	855,000	865,000	875,000
Subtotal	\$ 17,764,655	\$ 18,359,434	\$ 17,811,400	\$ 18,337,900	\$ 18,594,000	\$ 19,261,000	\$ 19,026,200	\$ 19,317,000	\$ 19,612,000
<b>General aviation airports</b>									
Rental Revenues - Airport Support Fund	\$ 837,693	\$ 844,285	\$ 824,971	\$ 1,080,000	\$ 1,102,000	\$ 1,124,000	\$ 1,146,000	\$ 1,169,000	\$ 1,192,000
Other general aviation airports revenues	2,501,459	2,653,376	3,068,213	3,236,300	3,301,000	3,367,000	3,434,000	3,503,000	3,573,000
Subtotal	\$ 3,339,152	\$ 3,497,661	\$ 3,893,184	\$ 4,316,300	\$ 4,403,000	\$ 4,491,000	\$ 4,580,000	\$ 4,672,000	\$ 4,765,000
Subtotal nonairline revenues	\$ 28,495,692	\$ 29,304,488	\$ 29,180,093	\$ 29,881,700	\$ 30,682,000	\$ 31,606,000	\$ 31,634,200	\$ 32,194,000	\$ 32,762,000
<b>Total Revenues</b>	<b>\$ 50,320,381</b>	<b>\$ 51,543,597</b>	<b>\$ 53,522,825</b>	<b>\$ 54,611,330</b>	<b>\$ 56,251,000</b>	<b>\$ 58,421,000</b>	<b>\$ 58,850,200</b>	<b>\$ 59,824,000</b>	<b>\$ 60,797,000</b>

(a) Source: Rhode Island Airport Corporation financial statements and records for years noted.

(b) Source: Rhode Island Airport Corporation FY 2016 Budget, as adjusted for issuance of Series 2016A, Series 2016B, and Series 2016C Bonds.

(c) RIAC anticipates providing supplemental airline revenue sharing in FY 2016 and FY 2017. For FY 2018 forward, airline revenue sharing is assumed to be calculated per Exhibit F-1.

Exhibit E-2

**RATE CALCULATIONS**  
Rhode Island Airport Corporation  
For Fiscal Years ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	<u>Estimate (a)</u>		<u>Forecast</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>LANDING FEE RATE</b>						
Airfield Requirement						
Operation and Maintenance Expenses	\$ 10,309,528	\$ 10,459,000	\$ 10,682,000	\$ 10,911,000	\$ 11,142,000	\$ 11,379,000
Operation and Maintenance Reserve Fund deposit	53,541	78,000	51,000	52,000	53,000	54,000
Net Debt Service requirement	5,611,111	6,770,000	6,688,000	6,720,000	6,706,000	6,692,000
Principal and interest deposits used in Series 2016A/B/C refunding	940,010	-	-	-	-	-
Coverage Account deposit	-	117,000	6,000	-	-	-
Apron Requirement (5% of Airfield Requirement)	(798,709)	(865,000)	(871,000)	(884,000)	(895,000)	(906,000)
Other Airfield revenues	(2,105,500)	(2,445,000)	(2,494,000)	(2,543,000)	(2,593,000)	(2,644,000)
Amortization of RIAC-funded assets	39,273	505,000	505,000	505,000	505,000	505,000
Total Airfield Requirement	\$ 14,049,254	\$ 14,619,000	\$ 14,567,000	\$ 14,761,000	\$ 14,918,000	\$ 15,080,000
RIAC Discretionary subsidy	<u>(1,634,671)</u>	<u>(1,400,000)</u>	<u>(1,250,000)</u>	<u>(1,350,000)</u>	<u>(1,400,000)</u>	<u>(1,500,000)</u>
Adjusted Airfield Requirement	\$ 12,414,583	\$ 13,219,000	\$ 13,317,000	\$ 13,411,000	\$ 13,518,000	\$ 13,580,000
Landed Weight	<u>2,045,236</u>	<u>2,068,115</u>	<u>2,081,769</u>	<u>2,095,570</u>	<u>2,109,517</u>	<u>2,123,613</u>
Signatory Rate per 1000 Pounds	\$ 6.07	\$ 6.39	\$ 6.40	\$ 6.40	\$ 6.41	\$ 6.39
<b>TERMINAL RENTAL RATE</b>						
Terminal Requirement						
Operation and Maintenance Expenses	\$ 16,259,502	\$ 17,084,000	\$ 17,613,000	\$ 18,164,000	\$ 18,730,000	\$ 19,313,000
Operation and Maintenance Reserve Fund deposit	84,442	124,000	82,000	86,000	88,000	92,000
Net Debt Service Requirement	6,370,811	7,505,000	7,488,000	7,388,000	7,389,000	7,386,000
Principal and interest deposits used in Series 2016A/B/C refunding	1,568,022	-	-	-	-	-
Coverage Account deposit	-	129,000	7,000	-	-	-
Amortization of RIAC-funded assets	285,874	286,000	286,000	286,000	286,000	286,000
Total Terminal Requirement	\$ 24,568,651	\$ 25,128,000	\$ 25,476,000	\$ 25,924,000	\$ 26,493,000	\$ 27,077,000
RIAC Discretionary subsidy (b)	<u>560,864</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Terminal Requirement	\$ 25,129,515	\$ 25,128,000	\$ 25,476,000	\$ 25,924,000	\$ 26,493,000	\$ 27,077,000
Leasable Space (sq. ft.)	<u>240,115</u>	<u>240,115</u>	<u>240,115</u>	<u>240,115</u>	<u>240,115</u>	<u>240,115</u>
Terminal Building Rate	\$ 104.66	\$ 104.65	\$ 106.10	\$ 107.96	\$ 110.33	\$ 112.77

(a) Source: Rhode Island Airport Corporation FY 2016 Budget, as adjusted for issuance of Series 2016A, Series 2016B, and Series 2016C Bonds.

(b) Terminal rental rate for FY 2016 was set prior to the issuance of the Series 2016A, Series 2016B, and Series 2016C Bonds. RIAC will keep terminal rental rate at budgeted level and recoup other discretionary subsidies.

Exhibit F-1

**APPLICATION OF REVENUES**  
Rhode Island Airport Corporation  
For Fiscal Years ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	<u>Estimate (a)</u>		<u>Forecast</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>REVENUES</b>						
Airline Revenues	\$ 26,611,971	\$ 28,979,000	\$ 29,289,000	\$ 29,661,000	\$ 30,116,000	\$ 30,535,000
Nonairline						
Airfield	\$ 2,105,500	\$ 2,445,000	\$ 2,494,000	\$ 2,543,000	\$ 2,593,000	\$ 2,644,000
Terminal	5,122,000	5,240,000	5,360,000	5,485,000	5,612,000	5,741,000
Landside	18,337,900	18,594,000	19,261,000	19,026,200	19,317,000	19,612,000
GA	4,316,300	4,403,000	4,491,000	4,580,000	4,672,000	4,765,000
Total	\$ 29,881,700	\$ 30,682,000	\$ 31,606,000	\$ 31,634,200	\$ 32,194,000	\$ 32,762,000
Total Revenues	<u>\$ 56,493,671</u>	<u>\$ 59,661,000</u>	<u>\$ 60,895,000</u>	<u>\$ 61,295,200</u>	<u>\$ 62,310,000</u>	<u>\$ 63,297,000</u>
<b>APPLICATION OF REVENUES</b>						
Operation and Maintenance Expenses	\$ 32,773,000	\$ 33,988,000	\$ 34,879,000	\$ 35,800,000	\$ 36,743,000	\$ 37,712,000
Senior Lien Debt Service Requirement	19,202,847	22,487,000	24,525,000	24,498,000	24,498,000	24,502,000
Pledged PFC Revenues (b)	(3,106,150)	(3,109,000)	(5,052,000)	(5,057,000)	(5,061,000)	(5,060,000)
Debt Service Coverage Account Deposit	193	336,000	17,000	-	-	-
Principal and interest deposits used in Series 2016A/B/C refunding	2,854,460	-	-	-	-	-
Operation and Maintenance Reserve Fund Deposit	152,000	202,000	133,000	138,000	141,000	146,000
GO Bonds Debt Service	128,462	133,000	107,000	78,000	50,000	23,000
Total Application of Revenues	<u>\$ 52,004,812</u>	<u>\$ 54,037,000</u>	<u>\$ 54,609,000</u>	<u>\$ 55,457,000</u>	<u>\$ 56,371,000</u>	<u>\$ 57,323,000</u>
Net Proceeds	<u>\$ 4,488,859</u>	<u>\$ 5,624,000</u>	<u>\$ 6,286,000</u>	<u>\$ 5,838,200</u>	<u>\$ 5,939,000</u>	<u>\$ 5,974,000</u>
<b>Distribution of Net Proceeds</b>						
Initial General Fund	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Initial Airline Share	600,000	600,000	600,000	600,000	600,000	600,000
General Fund 60% Share	1,733,316	2,414,400	2,811,600	2,542,920	2,603,400	2,624,400
Airline 40% Share	1,155,544	1,609,600	1,874,400	1,695,280	1,735,600	1,749,600
Total	\$ 4,488,859	\$ 5,624,000	\$ 6,286,000	\$ 5,838,200	\$ 5,939,000	\$ 5,974,000

(a) Source: Rhode Island Airport Corporation FY 2016 budget, as adjusted for issuance of Series 2016A, Series 2016B, and Series 2016C Bonds.

(b) Pledged PFC Revenues apply to the Series 2015A, Series 2016C, and Proposed Series 2016D bonds.

Exhibit F-2

**PASSENGER FACILITY CHARGE REVENUES**

Rhode Island Airport Corporation  
For Fiscal Years ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	<u>Estimate (a)</u>		<u>Forecast</u>			
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>SOURCES OF PFC REVENUES</b>						
<b>Starting PFC Account balance</b>	\$ 6,439,514	\$ 6,133,000	\$ 4,945,000	\$ 3,710,000	\$ 4,387,000	\$ 5,182,000
<b>PFC Revenues</b>						
Enplaned passengers	1,811,400	1,839,200	1,867,400	1,896,400	1,925,600	1,955,400
Passenger Facility Charge	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
Airline collection fee	0.11	0.11	0.11	0.11	0.11	0.11
Net Passenger Facility Charge	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39
Percent of passengers paying a PFC (b)	92%	92%	92%	92%	92%	92%
PFC revenues	\$ 7,324,235	\$ 7,437,000	\$ 7,551,000	\$ 7,668,000	\$ 7,786,000	\$ 7,906,000
PFC interest earnings	41,353	40,000	34,000	28,000	32,000	36,000
Subtotal PFC Revenues	\$ 7,365,588	\$ 7,477,000	\$ 7,585,000	\$ 7,696,000	\$ 7,818,000	\$ 7,942,000
Total PFC Revenues including balances	\$ 13,805,102	\$ 13,610,000	\$ 12,530,000	\$ 11,406,000	\$ 12,205,000	\$ 13,124,000
<b>USES OF PFC REVENUES</b>						
Debt Service						
2005	\$ 199,986	\$ -	\$ -	\$ -	\$ -	\$ -
2015A	2,763,833	2,765,000	2,764,000	2,761,000	2,764,000	2,764,000
2016C	142,331	344,000	521,000	521,000	522,000	521,000
Proposed 2016D	-	-	1,768,000	1,774,000	1,774,000	1,774,000
Subtotal Debt Service	\$ 3,106,150	\$ 3,109,000	\$ 5,053,000	\$ 5,056,000	\$ 5,060,000	\$ 5,059,000
Pay-Go						
Approved Pay-Go	4,565,491	5,556,000	3,767,000	-	-	-
Planned Pay-Go	-	-	-	1,963,000	1,963,000	1,963,000
Total Uses of PFC Revenues	\$ 7,671,641	\$ 8,665,000	\$ 8,820,000	\$ 7,019,000	\$ 7,023,000	\$ 7,022,000
Ending balance	\$ 6,133,460	\$ 4,945,000	\$ 3,710,000	\$ 4,387,000	\$ 5,182,000	\$ 6,102,000

(a) Source: Rhode Island Airport Corporation FY 2016 budget, as adjusted for issuance of Series 2016A, Series 2016B, and Series 2016C Bonds.

(b) Based on historical average of passengers paying a PFC at T.F. Green Airport.

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Exhibit G

**COMPLIANCE WITH COVENANTS TO MAINTAIN AIRPORT RATES AND CHARGES**

Rhode Island Airport Corporation

For Fiscal Years ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport management, as described in the accompanying text. Inevitably, some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical (a)			Estimate (b)			Forecast		
	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>REVENUES AVAILABLE FOR DEBT SERVICE</b>									
Airline Revenues before Revenue Sharing	\$ 24,476,267	\$ 25,063,482	\$ 25,815,086	\$ 26,611,971	\$ 28,979,000	\$ 29,289,000	\$ 29,661,000	\$ 30,116,000	\$ 30,535,000
Non-Airline Revenues	28,495,692	29,304,488	29,180,093	29,881,700	30,682,000	31,606,000	31,634,200	32,194,000	32,762,000
General Aviation Cost of Goods Sold	2,935,613	3,005,357	2,740,468	3,132,000	3,195,000	3,259,000	3,324,000	3,390,000	3,458,000
Less: Quonset revenues used to pay Quonset O&M	(741,435)	(725,175)	(801,250)	(817,275)	(834,000)	(851,000)	(868,000)	(885,000)	(903,000)
Interest income/expense adjustments	(147,084)	92,778	(110,632)	-	-	-	-	-	-
Subtotal	\$ 55,019,053	\$ 56,740,930	\$ 56,823,765	\$ 58,808,396	\$ 62,022,000	\$ 63,303,000	\$ 63,751,200	\$ 64,815,000	\$ 65,852,000
<b>EXPENSES</b>									
Payroll	\$ 13,618,187	\$ 14,040,048	\$ 14,806,222	\$ 15,742,500	\$ 16,303,000	\$ 16,675,000	\$ 17,056,000	\$ 17,447,000	\$ 17,847,000
Benefits	3,604,958	3,738,865	3,978,015	4,036,500	4,191,000	4,292,000	4,396,000	4,503,000	4,612,000
Utilities	1,778,580	2,281,477	2,554,798	2,496,500	2,602,000	2,688,000	2,778,000	2,870,000	2,966,000
M&O	7,233,710	7,616,948	7,151,155	7,427,700	7,716,000	7,942,000	8,178,000	8,418,000	8,665,000
Admin	2,102,579	2,468,420	2,426,843	3,069,800	3,176,000	3,282,000	3,392,000	3,505,000	3,622,000
Less: Direct GA Airport Expenses	(3,138,868)	(3,250,384)	(3,628,694)	(3,855,331)	(3,856,000)	(3,931,000)	(4,007,000)	(4,084,000)	(4,163,000)
Subtotal	\$ 25,199,146	\$ 26,895,374	\$ 27,288,339	\$ 28,917,669	\$ 30,132,000	\$ 30,948,000	\$ 31,793,000	\$ 32,659,000	\$ 33,549,000
<b>DEBT SERVICE COVERAGE</b>									
Net Revenues	\$ 29,819,907	\$ 29,845,556	\$ 29,535,426	\$ 29,890,728	\$ 31,890,000	\$ 32,355,000	\$ 31,958,200	\$ 32,156,000	\$ 32,303,000
Pledged PFC Revenues	4,168,193	3,693,672	2,782,662	3,106,150	3,109,000	5,052,000	5,057,000	5,061,000	5,060,000
Coverage Account Ending Balance	4,702,852	4,703,326	4,541,807	4,542,000	4,878,000	4,895,000	4,895,000	4,895,000	4,895,000
Total Net Revenues Available for Debt Service	\$ 38,690,952	\$ 38,242,554	\$ 36,859,895	\$ 37,538,878	\$ 39,877,000	\$ 42,302,000	\$ 41,910,200	\$ 42,112,000	\$ 42,258,000
Debt Service Requirement	\$ 22,521,263	\$ 21,207,620	\$ 20,949,890	\$ 19,202,847	\$ 22,487,000	\$ 24,525,000	\$ 24,498,000	\$ 24,498,000	\$ 24,502,000
Coverage	1.72	1.80	1.76	1.95	1.77	1.72	1.71	1.72	1.72

(a) Source: Rhode Island Airport Corporation.

(b) Source: Rhode Island Airport Corporation FY 2016 budget, as adjusted for issuance of Series 2016A, Series 2016B, and Series 2016C Bonds

**Appendix B – Financial Statements of Rhode Island Airport Corporation  
for the years ended June 30, 2014 and June 30, 2015**

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

Financial Report  
June 30, 2015

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## **Independent Auditor's Report**



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes thereto, which collectively comprise the RIAC's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Airport Corporation as of June 30, 2015 and 2014, and the respective changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the Agency adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68*, which resulted in the Agency restating net position for recognition of the Agency's pension related activity incurred prior to July 1, 2014. Our opinion is not modified with respect to this matter.

**Other Matters**Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management Discussion and Analysis on pages 3–18, the schedule of RIAC's proportionate share of the net pension liability and the schedule of RIAC's contributions to the employee retirement system on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 30, 2015 and September 29, 2014 on our consideration of RIAC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIAC's internal control over financial reporting and compliance.



New Haven, Connecticut  
September 30, 2015

**Management's Discussion and Analysis - unaudited**

## **INTRODUCTION**

The following Management's Discussion & Analysis (MD&A) of the Rhode Island Airport Corporation (RIAC) serves as an introduction and overview to the reader of the audited financial statements for the fiscal years ended June 30, 2015 and June 30, 2014. The information contained in the MD&A should be considered in conjunction with the audited financial statements.

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

## **RHODE ISLAND AIRPORT CORPORATION**

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

Pursuant to the State Lease Agreement, RIAC leases T.F. Green Airport (Airport) and the five general aviation airports (collectively, Airports) from the State for a term ending June 30, 2038 at a rental of \$1.00 per year. RIAC has also acquired all of the personal property and other assets of the State located at or relating to the Airports. In consideration of RIAC's assumption of the Rhode Island Department of Transportation's (RIDOT) responsibilities with respect to the Airports, the State and RIDOT have assigned to RIAC all of their rights to the revenues of the Airports, the proceeds of State General Obligation (GO) Bonds related to the Airports, Federal Aviation Administration (FAA) grant agreements, a Federal Highway Administration grant, insurance proceeds, all contracts including concession agreements and the prior airline agreements, and all licenses and permits.

RIAC operates on a fiscal year basis beginning on July 1<sup>st</sup> and continuing through the following June 30<sup>th</sup> of each year. RIAC was created to operate as a self-sustaining entity and receives no funds from the State's General Fund for the operation and maintenance of any of the Airports under its jurisdiction. RIAC has utilized State GO Bonds issued on behalf of RIAC for the intended use at the Airports. Per the Lease Agreement, RIAC is obligated to repay to the State the principal and interest on any GO Bonds issued for airport purposes.

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

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

## **T.F. GREEN AIRPORT**

RIAC operates T. F. Green Airport, which is Rhode Island's only certified Part 139 commercial airport. The Airport is primarily an origin-destination airport. In recent years, approximately 96% of the passengers at the Airport either began or ended their journeys at the Airport.

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

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

A major terminal improvement project at the Airport was completed in 2008 to minimize congestion, ease circulation, improve security procedures, and enhance concessions. The expansion and improvement project increased the Terminal to approximately 402,000 square feet. As of June 30, 2015, airlines serving the Airport lease approximately 82,000 square feet of exclusive and preferential use area and approximately 61,000 square feet of common use area.

A total of approximately 9,740 public parking spaces are available on Airport property and/or leased space. They are divided as follows: a short-term lot in front of the Terminal (Lot D) with approximately 420 spaces; a parking garage with approximately 1,500 spaces (Garage A); a garage with 720 spaces (Garage B); a leased garage with approximately 1,540 spaces (Garage C); and an express lot with approximately 4,360 spaces with an additional overflow capacity of 1,200 spaces that can be put into service, if needed (Lot E). Garage A, Garage B, Garage C, Lot D and Lot E (RIAC controlled parking facilities) are operated pursuant to a parking management agreement with SP Plus Corporation, formerly Standard Parking Corporation.

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

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

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

**Air Carriers Serving the Airport**

As of June 2015, the Airport has scheduled passenger service provided by five mainline carriers, twelve affiliate carriers and one regional carrier. Two airlines provide international service and two airlines provide all-cargo service.

AIRLINES SERVING THE AIRPORT

**Mainline Carriers (5)**

Delta Air Lines  
JetBlue Airways  
Southwest Airlines  
United Airlines  
US Airways

**Doing Business As:**

**Affiliate Carriers (12)**

Air Wisconsin Airlines  
Chautauqua  
Commutair  
Endeavor Air  
ExpressJet  
Mesa Airlines  
Piedmont Airlines  
PSA Airlines  
Republic Airlines  
Shuttle America  
SkyWest Airlines  
Trans States Airlines

US Airways Express  
United Express  
United Express  
Delta Connection  
Delta Connection and United Express  
United Express and US Airways Express  
US Airways Express  
US Airways Express  
United Express and US Airways Express  
Delta Connection  
United Express  
United Express

**Regional Carriers (1)**

Cape Air<sup>1</sup>

**International Carriers (2)**

Condor Airlines  
TACV – Cabo Verde Airlines

**All Cargo Carriers (2)**

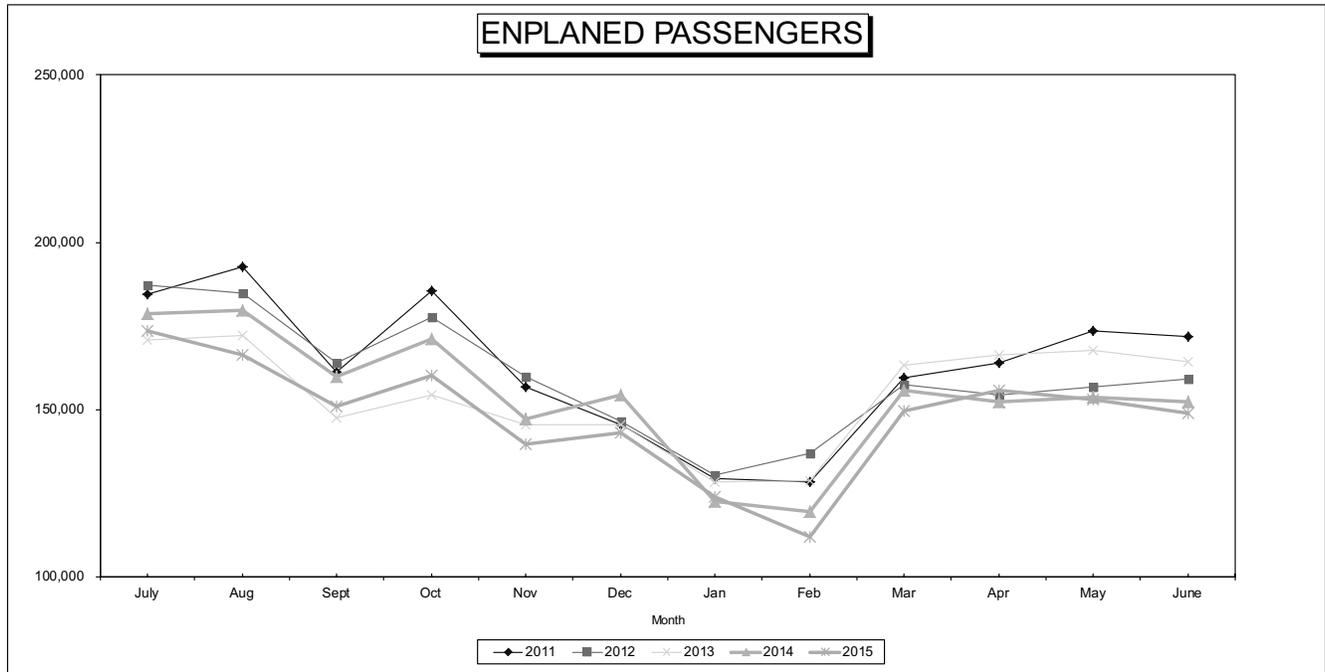
Federal Express  
United Parcel Service

<sup>1</sup> Cape Air offers seasonal service to Martha's Vineyard, Nantucket, Hyannis, and Block Island.

## Historical Enplanement Data

T.F. Green Airport was ranked as the 64th busiest airport in the country for calendar year 2014 according to the latest published data produced by the FAA. This compares with rankings of the 63rd busiest for calendar years 2013, 2012, 2011 and 2010.

Actual enplaned passengers for fiscal year 2015 were 69,752 below 2014, resulting in a decrease of 3.8%. The following chart and table depict the historical trend of enplaned passenger traffic at T. F. Green Airport for the fiscal years 2011 through 2015.



Fiscal Year	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	Total
2011	184,400	192,516	161,065	185,570	156,605	145,430	129,441	128,318	159,394	163,786	173,426	171,629	1,951,580
2012	187,246	184,841	164,003	177,584	159,746	146,565	130,457	136,917	157,438	154,185	156,691	159,155	1,914,828
2013	170,796	172,279	147,423	154,347	145,382	145,532	128,330	128,570	163,092	166,199	167,634	164,121	1,853,705
2014	178,596	179,641	159,663	171,029	147,271	154,351	122,631	119,391	155,781	152,164	153,547	152,111	1,846,176
2015	173,439	166,445	150,781	160,156	139,755	142,882	123,774	112,016	149,680	155,611	153,002	148,883	1,776,424

## Airport Use and Lease Agreements

RIAC established Signatory Airline Agreements with Delta Airlines, Federal Express Corporation (FedEx), JetBlue Airways, Southwest Airlines, United Airlines, United Parcel Service Co. (UPS), and US Airways. Affiliates of Signatory Airlines operate under the terms and conditions of the Signatory Airline Agreements. Cape Air, Condor Airlines, and TACV – Cabo Verde Airlines executed Non-Signatory Agreements. Condor Airlines has regularly scheduled seasonal service to Frankfurt, Germany. TACV – Cabo Verde Airlines has regularly scheduled year-round nonstop service to Praia, Cabo Verde.

The term of the Signatory Airline Agreement extends through June 30, 2015, which may be extended for a five-year renewal period by mutual written agreement. A Cost Center Residual Rate Methodology is utilized to establish the Landing Fee and Apron Rental Rates. The Terminal Rental Rate Methodology is Commercial Compensatory. A Majority-in-Interest approval is not required for Capital Improvement Projects. The Signatory Agreement incorporates an Airline Net Revenue Sharing methodology for Signatory Passenger Airlines. Distribution of each Signatory Passenger Airline's portion of the revenue-sharing is based on enplanements. Under this process, RIAC retains the first \$1 million and the Signatory Passenger Airlines share the next \$600,000. If there are remaining funds after the \$1.6 million, the Signatory Airlines share 40% and RIAC retains 60%. Non-Signatory Airlines' landing fees, apron fees and terminal rental rates are 125% of the Signatory Airlines' rates.

## **GENERAL AVIATION AIRPORTS**

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

### North Central Airport

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

### Quonset Airport

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

### Westerly Airport

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

### Newport Airport

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

### Block Island Airport

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

## FINANCIAL STATEMENTS

RIAC's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). RIAC is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets, except land, are capitalized and depreciated over their useful lives. During fiscal year 2015, RIAC implemented GASB Statement No. 68. As a result of this adoption, RIAC restated its fiscal year 2015 beginning net position by a reduction of \$2,000,248. During fiscal year 2014, RIAC implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, RIAC restated its fiscal year 2013 beginning net position by a reduction of \$2,731,669. See the notes to the financial statements for a summary of RIAC's significant accounting policies.

The statement of net position presents information on all of RIAC's assets and liabilities with the difference between the assets, deferred outflows, liabilities and deferred inflows reported as net position. Over time, increases or decreases in RIAC's net position may serve as a useful indicator of whether the financial position of RIAC is improving or deteriorating. However, non-financial factors should also be considered when evaluating RIAC's financial position. The statement of revenues, expenses and change in net position presents information on how RIAC's net position changed during the year.

## SUMMARY OF OPERATIONS AND CHANGE IN NET POSITION

	2015	2014	2013 (as restated)
Operating Revenues	\$ 53,522,825	\$ 51,543,597	\$ 50,320,381
Operating Expenses	(51,075,494)	(50,051,137)	(48,409,778)
Operating Income (before InterLink)	2,447,331	1,492,460	1,910,603
InterLink, Net Operating Income	1,698,634	1,318,219	1,520,012
Operating Income	4,145,965	2,810,679	3,430,615
Non-operating Revenues (Expenses), net	(3,493,293)	(4,903,710)	(5,092,440)
InterLink Non-operating Revenues (Expenses), net	(4,470,175)	(4,526,346)	(4,525,273)
Non-operating Revenues (Expenses), total	(7,963,468)	(9,430,056)	(9,617,713)
Income/(Loss) before Capital Contributions	(3,817,503)	(6,619,377)	(6,187,098)
Capital Contributions, net	30,757,179	9,428,844	6,427,035
Change in Net Position	\$ 26,939,676	\$ 2,809,467	\$ 239,937

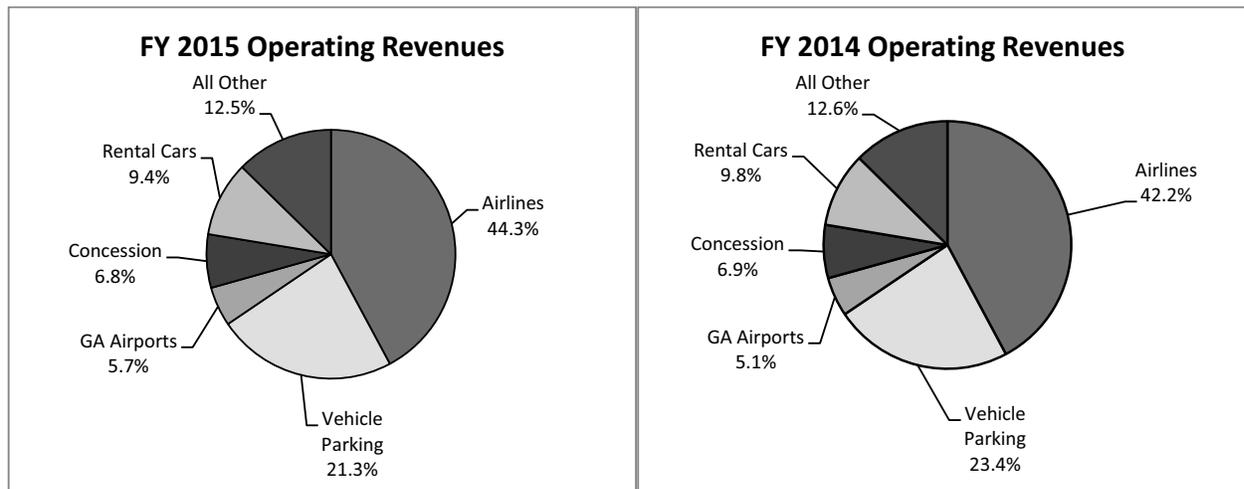
**FINANCIAL POSITION SUMMARY**

	2015	2014	2013 (as restated)
<b>ASSETS</b>			
Current assets	\$ 86,188,598	\$ 77,747,754	\$ 90,179,288
Noncurrent assets	40,383,787	57,538,650	52,732,047
Capital assets, net	557,450,743	523,324,256	512,824,594
Total assets	684,023,128	658,610,660	655,735,929
<b>DEFERRED OUTFLOWS</b>	4,953,328	5,388,304	5,827,447
<b>LIABILITIES</b>			
Current liabilities	34,104,275	36,236,827	29,411,390
Long-term obligations	327,373,414	325,375,583	332,574,899
Total liabilities	361,477,689	361,612,410	361,986,289
<b>DEFERRED INFLOWS</b>	172,785	-	-
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	247,477,611	212,904,767	204,462,352
Restricted	39,487,513	44,099,191	47,378,971
Unrestricted	40,360,858	45,382,596	47,735,764
<b>TOTAL NET POSITION</b>	\$327,325,982	\$302,386,554	\$299,577,087

## OPERATING REVENUES

The following chart shows the major sources and the percentage of total operating revenues for the fiscal years ended June 30, 2015, 2014 and 2013.

	2015	% of Total Revenues	2014	% of Total Revenues	2013	% of Total Revenues
<b>OPERATING REVENUES</b>						
Passenger Airlines	\$ 23,728,317	44.3%	\$ 21,729,795	42.2%	\$ 21,317,607	42.4%
Vehicle Parking	11,399,673	21.3%	12,040,693	23.4%	11,449,590	22.8%
Rental Cars	5,035,153	9.4%	5,028,966	9.8%	5,111,211	10.2%
Concession	3,628,352	6.8%	3,580,285	6.9%	3,450,387	6.9%
General Aviation Airports	3,051,988	5.7%	2,640,881	5.1%	2,485,396	4.9%
Tiedowns, Hangar & Miscellaneous	1,263,654	2.4%	1,265,054	2.5%	1,332,575	2.6%
Other Revenues	1,071,578	2.0%	998,263	1.9%	892,679	1.8%
Non-Airline Rent	1,031,437	1.9%	1,050,744	2.0%	1,018,420	2.0%
General Aviation & Cargo	904,241	1.7%	804,559	1.6%	756,768	1.5%
Fuel Flowage Fees	877,977	1.6%	900,432	1.7%	1,028,787	2.0%
Rental Revenues - Airport Support	824,971	1.5%	844,285	1.6%	837,693	1.7%
Off Airport Courtesy Fees	705,484	1.3%	659,640	1.3%	639,268	1.3%
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 53,522,825</b>	<b>100.0%</b>	<b>\$ 51,543,597</b>	<b>100.0%</b>	<b>\$ 50,320,381</b>	<b>100.0%</b>



Overall revenues for fiscal year 2015 and 2014 increased by approximately \$1.979 million and \$1.223 million, respectively. The following commentary includes revenue categories greater than 5% of total revenues and other line items to provide additional information.

Passenger Airline revenues for fiscal year 2015 increased by approximately \$1.9 million over fiscal year 2014 primarily due to the inclusion of debt service related to the Deicer Management System into the airline rate base. Passenger Airline revenues for fiscal year 2014 increased over fiscal year 2013 by approximately \$412 thousand. Passenger Airline revenues include landing fees, terminal rentals, and apron rentals, net of an airline net revenue share. Passenger Airline revenue divided by fiscal year enplanements results in the Airport's Cost Per Enplanement (CPE). The calculated CPE's for fiscal years 2015, 2014, and 2013 are \$13.36, \$11.77, and \$11.50, respectively.

Fiscal year 2015 Vehicle Parking revenues decreased by approximately \$641 thousand from fiscal year 2014 as a result of declines in passenger traffic at the Airport and a customer relocating its employee parking from an Airport parking facility to the InterLink parking garage. Vehicle Parking revenues for fiscal year 2014 increased by \$591 thousand over fiscal year 2013 as a result of parking rate adjustments and programs to maximize the use of Airport parking facilities.

Rental Car revenues for fiscal year 2015 increased by approximately \$6 thousand over fiscal year 2014 as a result of scheduled rent increases per the terms of the rental car agreements, offset by the impact of declines in passenger traffic at the Airport. Rental Car revenues decreased by approximately \$82 thousand from fiscal year 2013. These revenues include RIAC's share of rental car transactions and space rentals at the Airport.

Concession revenues for fiscal years 2015 and 2014 increased by approximately \$48 thousand and \$130 thousand, respectively, as a result of scheduled increases per the terms of concessionaire agreements. Included in this category are revenues from food, retail, and advertising concessionaires at the Airport.

General Aviation Airports revenues increased by \$411 thousand and \$155 thousand in fiscal years 2015 and 2014, respectively, due to increased building and office rental, hangar rental, and fuel revenues at Quonset and North Central Airports and increased fuel revenues at Newport Airport.

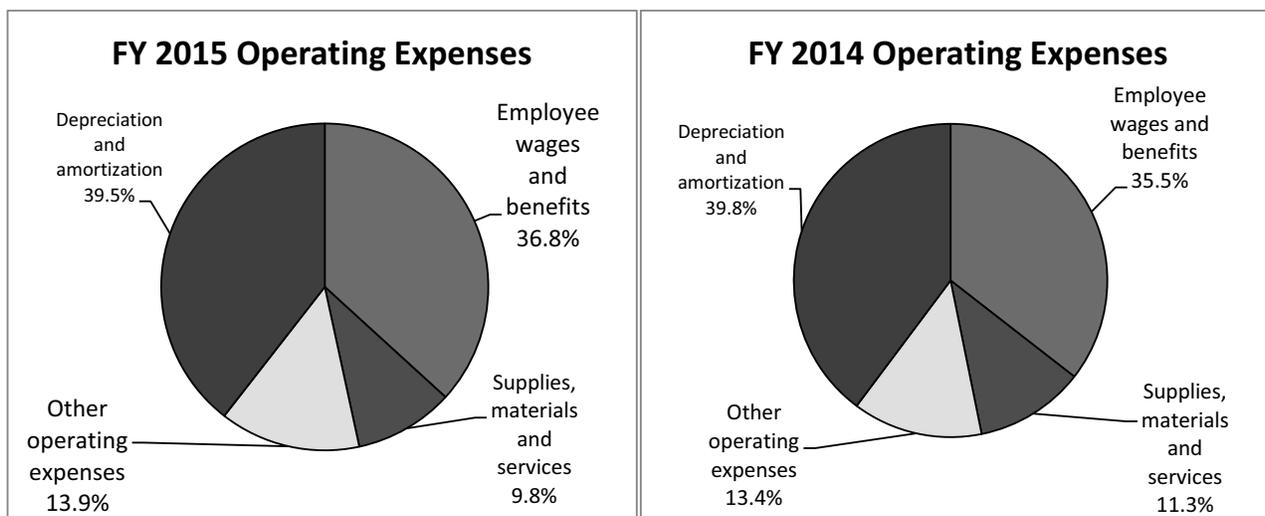
Other Revenues for fiscal years 2015 and 2014 increased by approximately \$73 thousand and \$106 thousand respectively. The increase in fiscal year 2015 is primarily due to increased utility reimbursement revenues and operating grant revenue. The increase in fiscal year 2014 is due to the receipt of FEMA grants received related to weather events. Included in this line item are operating grant revenues, utility reimbursements, aircraft registration fees and audit recoveries.

Rental Revenues – Airport Support Fund for fiscal year 2015 decreased by \$19 thousand from fiscal year 2014. Rental Revenues increased by \$7 thousand over fiscal year 2013. These revenues are for rental fees on certain revenue-producing parcels located at Quonset State Airport.

## OPERATING EXPENSES

The following chart illustrates major categories of operating expenses for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	% of Total Operating Expenses	2014	% of Total Operating Expenses	2013 (as restated)	% of Total Operating Expenses
<b>OPERATING EXPENSES</b>						
Employee wages and benefits	\$ 18,784,262	36.8%	\$ 17,778,912	35.5%	\$ 17,223,123	35.6%
Supplies, materials and services	5,022,358	9.8%	5,655,282	11.3%	5,289,322	10.9%
Other operating expenses	7,110,752	13.9%	6,711,564	13.4%	5,825,550	12.0%
Depreciation and amortization	20,158,122	39.5%	19,905,379	39.8%	20,071,783	41.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 51,075,494</b>	<b>100.0%</b>	<b>\$ 50,051,137</b>	<b>100.0%</b>	<b>\$ 48,409,778</b>	<b>100.0%</b>



Employee wages and benefits for fiscal years 2015 and 2014 increased by \$1.005 million and \$556 thousand, respectively, over prior year amounts. The increase in fiscal year 2015 is primarily due to overtime for snow removal, increased medical insurance costs and the scheduled increase in employee wages. The increase in fiscal year 2014 is primarily due to the increase in the employer match to the Money Purchase Pension Plan and the scheduled increase in employee wages.

Supplies, materials, and services decreased by \$633 thousand from prior year amounts primarily due to reduced costs for glycol maintenance contract services as the new Deicer Management System was operational in fiscal year 2015. Fiscal year 2014 expense increased by \$366 thousand over prior year amounts primarily due to increased supplies and repair costs. Included in this line item are contracted maintenance, outside services, professional fees and supplies.

Other operating expenses for fiscal years 2015 and 2014 increased by \$399 thousand and \$886 thousand, respectively, over prior year amounts. The increase in fiscal year 2015 is a result of increased utility costs and increased airline advertising expense. The increase in fiscal year 2014 is primarily due to increased utility and fuel costs. Included in this line item are utilities, maintenance agreements, insurance and advertising.

## INTERLINK OPERATIONS

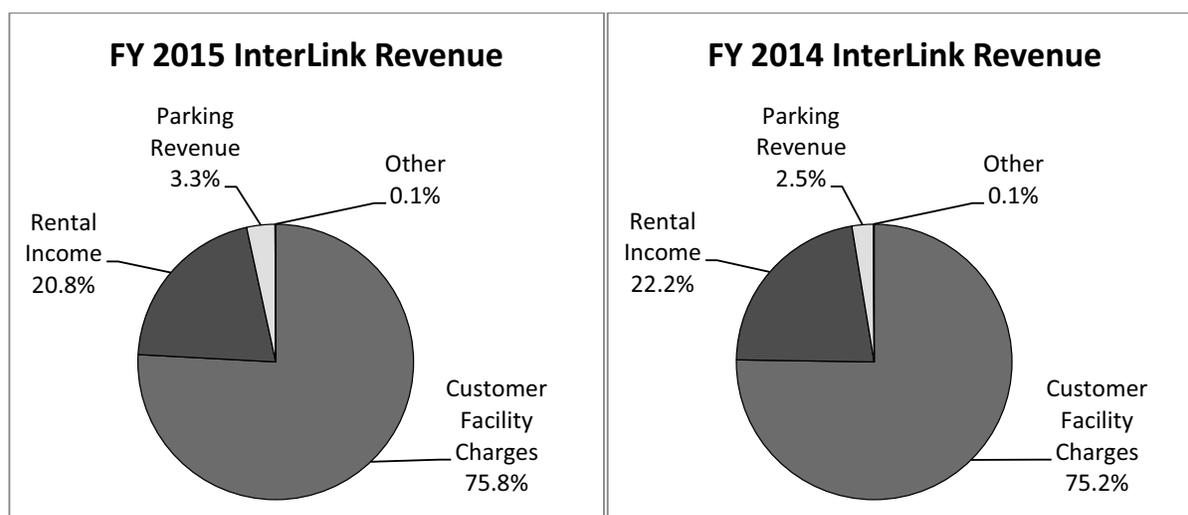
Net Income for the InterLink is recorded as Operating Revenue in RIAC's Statement of Revenues, Expenses and Changes in Net Position. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, and Net Parking Revenues. Operating Expenses include utilities, contracted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

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

	2015	2014	2013
Facility revenues	\$ 7,811,008	\$ 7,261,224	\$ 7,395,035
Operating and maintenance expense	1,553,372	1,383,646	1,264,155
InterLink operating income before depreciation and amortization	6,257,636	5,877,578	6,130,880
Depreciation and amortization	4,559,002	4,559,359	4,610,868
Operating income	1,698,634	1,318,219	1,520,012
Interest expense	(4,495,513)	(4,533,513)	(4,549,014)
Interest income	25,338	7,167	23,741
Net (loss)/income InterLink Facility	<u>\$ (2,771,541)</u>	<u>\$ (3,208,127)</u>	<u>\$ (3,005,261)</u>

The following chart illustrates the categories of InterLink Facility Revenues for the fiscal years ended June 30, 2015, 2014, and 2013:

	2015	% of Total Facility Revenues	2014	% of Total Facility Revenues	2013	% of Total Facility Revenues
Facility Revenues						
Customer Facility Charges	\$ 5,925,006	75.8%	\$ 5,463,755	75.2%	\$ 5,721,359	77.4%
Rental Income	1,621,065	20.8%	1,609,050	22.2%	1,596,332	21.5%
Parking Revenue	258,906	3.3%	180,700	2.5%	71,289	1.0%
Other	6,031	0.1%	7,719	0.1%	6,055	0.1%
Total Facility Revenues	<u>\$ 7,811,008</u>	100.0%	<u>\$ 7,261,224</u>	100.0%	<u>\$ 7,395,035</u>	100.0%



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

## **CUSTOMER FACILITY CHARGES**

Since July of 2001, RIAC has been collecting CFCs per transaction day from the rental car companies that operate at, or near, the Airport and service customers who utilize the Airport in anticipation of the construction of a consolidated car rental facility to be located on, or near, Airport property. Effective April 1, 2014, the CFC rate was increased to \$6.00 from \$5.50 per eligible transaction day. The authority to collect Customer Facility Charges is pursuant to transportation ground rules promulgated by RIAC and Section 1-2-1.1 of the Rhode Island General Laws. During fiscal year 2015, CFC revenues, including audit recoveries, were \$5.925 million, as compared to \$5.464 million in fiscal year 2014, and \$5.721 million in fiscal year 2013.

## **PASSENGER FACILITY CHARGES**

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

Fiscal year 2015 PFC revenues were \$7.152 million as compared to \$7.308 million in fiscal year 2014 and \$7.628 million in fiscal year 2013. As of June 30, 2015, \$157.461 million (including interest earned) of PFCs have been collected. The authority to collect PFCs expires upon the expiration date specified by the FAA or once collections reach a maximum amount approved by the FAA, whichever occurs first.

In fiscal year 2015, \$8.265 million of PFCs were expended for capital acquisition and construction and debt service payments on the 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), 2005 Series C bonds (which refunded the 2000 Series B), 2013 Series C (which refunded the 2003 Series), and 2015 Series A (which refunded the 2004 Series A). In fiscal year 2014, \$12.425 million of PFCs were expended for capital acquisition and construction and debt service payments on the 1994 Series A, 2003 Series (which refunded a portion of the 1993 Series), 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), 2005 Series C bonds (which refunded the 2000 Series B), and 2013 Series C (which refunded the 2003 Series). In fiscal year 2013, \$4.868 million of PFCs were used for capital asset acquisition and construction and debt service payments on the 1994 Series A, 2003 Series (which refunded a portion of the 1993 Series), 2004 Series (which refunded the remaining 1993 Series and a portion of the 1994 Series), and 2005 Series C bonds (which refunded the 2000 Series B).

## **CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES**

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

In fiscal year 2015, RIAC capitalized \$2.826 million in land and easement acquisitions, \$36.718 million in leasehold improvements, \$4.807 million in machinery and equipment, and \$113 thousand in vehicle acquisitions. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$52.584 million at June 30, 2015.

In fiscal year 2014, RIAC capitalized \$2.808 million in land and easement acquisitions, \$1.705 million in leasehold improvements, and \$1.384 million in machinery and equipment. Additional amounts were added to construction in progress (CIP) to reflect ongoing construction activities during the fiscal year, resulting in an ending balance of \$37.654 million at June 30, 2014.

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

## **SIGNIFICANT PROJECTS - AIRPORTS**

### Noise Mitigation - Voluntary Land Acquisition

In fiscal year 2015, approximately \$7.102 million was expended for acquisition, relocation, demolition, and related program costs associated with 56 properties acquired in connection with the Voluntary Land Acquisition program. The amount expended in fiscal year 2014 totaled approximately \$7.837 million. Amounts related to the value of land at the time of these acquisitions are capitalized, but not depreciated.

### Noise Mitigation - Sound Insulation - Phases 1, 2, 3 and 4

In fiscal year 2015, approximately \$4.715 million was expended on actual sound insulation of 10 homes in Phase 1, and design and sound insulation of 46 homes in Phase 2A. Additionally, in fiscal year 2015, there were design costs for 58 homes in Phase 2B and 90 homes and 40 condominiums in Phase 3. Phases 2B and 3 will be constructed in fiscal year 2016 and 2017. The most current phase, Phase 4, is under design and includes 80 homes and 146 multi-unit homes. Through Phase 4, a total of 284 homes and 186 multi-unit homes will have been designed and sound insulated. The amount expended in fiscal year 2014 totaled approximately \$1.041 million.

### Deicer Management System

In fiscal year 2015, approximately \$12.906 million was expended on the Deicer Management System at T.F. Green Airport. The project includes online monitoring and diversion of deicing storm water to comply with the Rhode Island Pollutant Discharge Elimination System (RIPDES) permit issued by the Rhode Island Department of Environmental Management (RIDEM). The improvements prevent the discharge of deicing runoff to surface waters when the concentration exceeds the RIPDES permit limits. The amount expended in fiscal year 2014 totaled approximately \$15.710 million.

### Runway 16-34 Safety Area Improvements

In fiscal year 2015, approximately \$15.958 million was expended on the Runway 16-34 Safety Area (RSA) Improvements. This project includes installation of an Engineered Materials Arresting System (EMAS) in the RSAs at each runway end. It also includes reconfiguring the taxi lane from the Runway 16 end to the North Apron to meet FAA requirements, replacement of Navigational Aids (NAVAIDs), raising of Runway 34 end, relocation of a portion of the Runway 34 end, Perimeter Road, and wetland mitigation improvements. The amount expended in fiscal year 2014 totaled approximately \$6.789 million.

### Runway 5-23 Extension

In fiscal year 2015, approximately \$12.911 million was expended on the Runway 5-23 Extension. This project involves extending Runway 5 to the south by approximately 1,530 feet to a total length of 8,700 feet. Major components of this project include the relocation of Main Avenue (including the purchase and demolition of homes), the voluntary acquisition of homes within the new Runway Protection Zone (RPZ), the relocation of Winslow Park facilities, and the extension of Runway 5. The amount expended in fiscal year 2014 totaled approximately \$6.458 million.

### Hangar 1 Demolition

In fiscal year 2015, approximately \$264 thousand was expended on the demolition of Hangar 1. This hangar was located in the Runway 16-34 Object Free Area. This project demolished the existing hangar and restored the current footprint of the building into a usable airside aircraft parking apron area. The amount expended in fiscal year 2014 totaled approximately \$893 thousand.

### Quonset - Relocate Airfield Lighting Vault

In fiscal year 2015, approximately \$175 thousand was expended on the airfield lighting vault at Quonset State Airport. The Airfield Lighting vault was located in the former terminal building that is slated for demolition in the near term. This project upgraded and relocated the vault to a more compatible location. The amount expended in fiscal year 2014 totaled approximately \$1.257 million.

### Quonset - R/W 16-34 Repair and Culvert Replacement

In fiscal year 2015, approximately \$3.897 million was expended on this project. The project consists of replacement of the twin 54" diameter culvert crossing beneath Runway 16-34 and Taxiway A-North at Quonset State Airport. The work includes the design and construction of a new twin 54" diameter culvert including headwalls and related improvements. In addition, the project includes the relocation of the existing Runway 34 demarcation bar and associated lighting.

### Westerly - Acquire Easements/Obstruction Lights/Removal of Obstructions

In fiscal year 2015, approximately \$611 thousand was expended on this project at Westerly State Airport. This project includes the acquisition of easements and the removal of obstructions. Costs associated with this work include detailed ground surveys, engineering, environmental permitting, construction of obstruction lights to demarcate obstructions that will remain, and obstruction removal. The amount expended in fiscal year 2014 totaled approximately \$848 thousand.

## **LONG-TERM DEBT ADMINISTRATION - GENERAL**

Under the State Lease Agreement, RIAC has agreed to reimburse the State for GO Bond debt service accruing after July 1, 1993. In the event there are not sufficient moneys available to reimburse the State, such event shall not constitute an event of default. Instead, the unpaid portion shall accrue and be payable in the next succeeding fiscal year and shall remain a payment obligation of RIAC until paid in full. If the unpaid portion is not reimbursed by the end of the following year, such failure could constitute an event of default on the part of RIAC under the State Lease Agreement. RIAC is current in all of its payment obligations to the State. These bonds mature annually through 2023. The balance outstanding at June 30, 2015 and 2014 was \$495 thousand and \$2.020 million, respectively.

In 1994, RIAC issued \$30 million Series A General Airport Revenue Bonds dated May 19, 1994, maturing annually from 1998 through 2014 with interest coupons ranging from 5.25% to 7%. The balance outstanding as of June 30, 2015 and 2014 was \$0 and \$1.190 million, respectively.

In 2004, RIAC issued \$52.665 million Series A Airport Revenue Refunding Bonds dated March 12, 2004 to enable the defeasance of \$31.915 million and \$20.19 million of 1993 Series A and 1994 Series A General Airport Revenue Bonds, respectively. The refund issue matures annually through 2024 with interest coupons from 2% to 5%. As referenced below, \$48.625 million of these bonds were refunded during fiscal year 2015. The balance outstanding as of June 30, 2015 and 2014 was \$0 and \$48.72 million, respectively.

In 2005, RIAC issued \$43.545 million Series A and \$27.245 million Series B General Airport Revenue Bonds dated June 28, 2005 maturing annually from 2009 through 2030 with interest coupons ranging from 4.625% to 5%. Also on June 28, 2005, RIAC issued \$44.465 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$42.165 million of 2000 Series B General Airport Revenue Bonds. The refund issue matures annually through 2028 with interest coupons ranging from 3% to 5%. RIAC's defeasance of the 2000 Series B Bonds resulted in an economic present value gain of \$3.04 million or 7.2% of the refunded bonds. The outstanding balance for the 2005 Series as of June 30, 2015 and 2014 was \$97.655 million and \$101.92 million, respectively.

In 2008, RIAC issued \$17.645 million Series A and \$15.49 million Series B General Airport Revenue Bonds dated May 30, 2008 maturing annually through 2038 with interest coupons ranging from 3.5% to 5.25%. Also on May 30, 2008, RIAC issued \$18.03 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$18.06 million of 1998 Series B General Airport Revenue Bonds. The refund issue matures annually from 2010 through 2018 with interest coupons ranging from 4% to 5%. RIAC's defeasance of these 1998 Series B Bonds resulted in an economic present value gain of \$597 thousand or 3.3% of the refunded bonds. The outstanding balance for the 2008 Series as of June 30, 2015 and June 30, 2014 was \$39.145 million and \$41.810 million, respectively.

In 2013, RIAC secured funds for the Deicer Management System at T.F. Green Airport under the Rhode Island Clean Water Finance Agency's State Revolving Fund for the payment of eligible project costs up to \$33.5 million at an average effective interest rate of 2.44% (2013 Series A General Airport Revenue Bonds). This bond is issued pursuant to the Ninth Supplemental Indenture and secured by general airport revenues. Eligible project costs include construction funds, costs of issuance, and the debt service reserve fund. Interest payments will accrue as amounts are drawn down from this loan. The outstanding balance as of June 30, 2015 and June 30, 2014 was \$29.824 million and \$11.7 million, respectively.

In 2013, RIAC issued \$30.7 million Series B and \$2.055 million Series C Airport Revenue Refunding Bonds to enable the defeasance of \$32.06 million in 1998 Series A General Airport Revenue Bonds and \$6.02 million in 2003 Series A General Airport Revenue Bonds, respectively. The 2013 Series B refund issue matures annually from 2019 through 2028 with interest coupons from 4% to 5%. The 2013 Series C refund issue matures annually from 2014 to 2015 with interest coupons from 3% to 4%. RIAC's defeasance of the 1998 Series B Bonds and the 2003 Series A Bonds resulted in economic present value savings of \$1.914 million or 6% and \$171 thousand or 2.8% of the refunded bonds, respectively. The outstanding balance for the 2013 Series B and C as of June 30, 2015 and June 30, 2014 was \$31.725 million and \$32.755 million, respectively.

On March 23, 2015, RIAC issued \$42.98 million Series A Direct Placement Airport Revenue Refunding Bonds to enable the defeasance of \$48.625 million in 2004 Series A General Airport Revenue Refunding Bonds. The 2015 Series A refund issue matures annually from 2015 through 2024 with an interest rate of 2%. RIAC's defeasance of the 2004 Series A Bonds resulted in economic present value savings of \$5.9 million or 12% of the refunded bonds. The outstanding balance for the 2015 Series as of June 30, 2015 was \$42.98 million.

## **LONG-TERM DEBT ADMINISTRATION – SPECIAL FACILITY**

In 2006, RIAC issued \$48.765 million Series 2006 First Lien Special Facility Bonds for the InterLink Project (2006 First Lien Bonds) dated June 14, 2006 maturing annually from 2011 through 2036 with interest coupons ranging from 4% to 5%. The balance outstanding for the 2006 First Lien Bonds was \$46.11 million and \$46.87 million as of June 30, 2015 and 2014, respectively. The principal amount of redemption premium, if any, and interest on the 2006 First Lien Bonds is payable from and secured by a pledge of the respective interests of Commerce RI and RIAC in the Trust Estate created under the Indenture.

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

As part of the financing for the InterLink Project, RIAC and the Commerce RI secured additional funds under the USDOT's TIFIA for the payment of eligible project costs of the InterLink up to \$42 million at an interest rate of 5.26%. This TIFIA Bond is issued pursuant to the First Supplemental Indenture as a Second Lien Obligation payable from and secured by a pledge of and secondary interest in the Trust Estate under the Indenture, subject to the pledge of the Trust Estate for the security and payment of the 2006 First Lien Bonds. The 2006 TIFIA Bond is also secured by the Second Lien Debt Service Reserve Fund that was funded from CFCs on the DOO in an amount of \$3,328,407. The outstanding balance as of June 30, 2015 and June 30, 2014 was \$41.541 million for both years.

## **CREDIT RATINGS AND BOND INSURANCE**

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

The General Airport Revenue Bonds (excluding the 2013 Series A Bonds) outstanding at June 30, 2015 include the 2005 Series A&B Bonds (\$70.79 million issued and insured by MBIA Insurance Company (MBIA) (now National Public Finance Guaranty (NPF)), with \$59.78 million outstanding), and the 2008 Series A&B Bonds (\$33.135 million issued and insured by Assured Guaranty Corp. (AGC), with \$30.295 million outstanding).

The Airport Revenue Refunding Bonds (excluding the 2015 Series A Bonds) outstanding at June 30, 2015 include the 2005 Series C Bonds (\$44.465 million issued and insured by MBIA (now NPF)), with \$37.875 million outstanding), the 2008 Series C Bonds (\$18.03 million issued and insured by AGC, with \$8.85 million outstanding), the 2013 Series B&C Bonds (\$32.755 million issued, and uninsured, with \$31.725 million outstanding), and the 2015 Series A Bonds (\$42.98 million issued and outstanding, insured by Assured Guaranty Municipal Corp. (AGM)).

As of June 30, 2015, RICC/RIAC's General Airport Revenue Bonds (excluding the 2013 Series A Bonds) and the Airport Revenue Refunding Bonds (excluding the 2015 Series A Bonds) are rated by three firms, Fitch Investor Services (Fitch), Moody's Investor Services (Moody's) and Standard & Poor's (S&P) as BBB+ with a stable outlook, A3 with a negative outlook and BBB+ with a stable outlook, respectively.

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

## **CURRENT OPERATIONS AND FINANCIAL SITUATION**

RIAC has extended the Signatory Airline Agreement for a five-year period through June 30, 2020 by mutual written agreement with Delta Airlines, FedEx, JetBlue Airways, Southwest Airlines, United Airlines, UPS, and US Airways.

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

## **Financial Statements**

Rhode Island Airport Corporation

Statements of Net Position  
June 30, 2015 and 2014

	2015	2014
<b>Assets</b>		
Current Assets		
Unrestricted assets:		
Cash and cash equivalents	\$ 28,422,984	\$ 43,344,665
Accounts receivable, net	21,000,293	8,221,338
Deposits and prepaid items	545,331	663,706
	<u>49,968,608</u>	<u>52,229,709</u>
Restricted assets:		
Restricted cash and cash equivalents	22,840,954	21,773,805
Restricted investments	11,704,229	2,258,449
Accounts receivable, net	1,581,901	1,439,345
Deposits and prepaid items	92,906	46,446
	<u>36,219,990</u>	<u>25,518,045</u>
<b>Total current assets</b>	<u>86,188,598</u>	<u>77,747,754</u>
Noncurrent Assets		
Restricted cash and cash equivalents	38,490,872	40,960,880
Restricted investments	-	14,703,921
Notes receivable	504,295	261,580
Capital assets, net of accumulated depreciation and amortization	557,450,743	523,324,256
Deferred charges, net of accumulated amortization of \$758,718 and \$1,229,767 in 2015 and 2014, respectively	1,388,620	1,612,269
	<u>597,834,530</u>	<u>580,862,906</u>
<b>Total noncurrent assets</b>	<u>597,834,530</u>	<u>580,862,906</u>
<b>Total assets</b>	<u>684,023,128</u>	<u>658,610,660</u>
<b>Deferred Outflows of Resources</b>		
Deferred pension expense	175,135	-
Deferred amounts on refunding	4,778,194	5,388,304
	<u>4,953,329</u>	<u>5,388,304</u>
<b>Liabilities</b>		
Current Liabilities		
Payable from unrestricted assets:		
Accounts payable	795,700	1,343,322
Accrued payroll and employee benefits	1,999,843	1,725,804
Accrued expenses	2,662,850	1,680,787
Due to other component unit	235,000	63,336
Unearned revenue	298,563	246,415
Liability for claims, judgements and other settlements	164,000	164,000
Current portion of long-term obligations	45,409	105,838
	<u>6,201,365</u>	<u>5,329,502</u>
Payable from restricted assets:		
Accounts and retainage payable	7,387,419	5,056,690
Accrued expenses	2,826,326	7,841,729
Accrued interest payable	6,846,844	8,003,906
Current portion of long-term obligations	10,842,322	10,005,000
	<u>27,902,911</u>	<u>30,907,325</u>
<b>Total current liabilities</b>	<u>34,104,276</u>	<u>36,236,827</u>
Noncurrent Liabilities		
Long-term obligations, less current portion	323,525,262	323,355,583
Due to primary government	495,000	2,020,000
Due to other component unit	1,380,023	-
Net pension liability	1,973,129	-
	<u>327,373,414</u>	<u>325,375,583</u>
<b>Total noncurrent liabilities</b>	<u>327,373,414</u>	<u>325,375,583</u>
<b>Total liabilities</b>	<u>361,477,690</u>	<u>361,612,410</u>
<b>Deferred Inflows of Resources</b>		
Deferred pension credit	172,785	-
	<u>172,785</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	247,477,611	212,904,767
Restricted	39,487,513	44,099,191
Unrestricted	40,360,858	45,382,596
	<u>40,360,858</u>	<u>45,382,596</u>
<b>Total net position</b>	<u>\$ 327,325,982</u>	<u>\$ 302,386,554</u>

See Notes to Financial Statements.

**Rhode Island Airport Corporation**

**Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Operating Revenues		
Charges for services:		
Rental, concession fees and other	\$ 26,736,651	\$ 25,998,486
Landing fees and airfield revenues	15,386,501	13,504,418
Parking	11,399,673	12,040,693
<b>Total operating revenues</b>	<b>53,522,825</b>	<b>51,543,597</b>
Operating Expenses		
Employee wages and benefits	18,784,262	17,778,912
Supplies, materials and services	5,022,358	5,655,282
Other operating expenses	7,110,752	6,711,564
Depreciation and amortization	20,158,122	19,905,379
<b>Total operating expenses</b>	<b>51,075,494</b>	<b>50,051,137</b>
<b>Operating income (before InterLink)</b>	<b>2,447,331</b>	<b>1,492,460</b>
InterLink, Net (Note 9)	1,698,634	1,318,219
<b>Operating income</b>	<b>4,145,965</b>	<b>2,810,679</b>
Nonoperating Revenues (Expenses)		
Passenger facility charges	7,152,033	7,307,517
InterLink investment income (Note 9)	25,338	7,167
Investment income	109,610	61,151
Other	414,978	38,528
Grant revenues (Note 1)	14,438,138	8,819,005
Grant expenses (Note 1)	(14,652,027)	(8,976,548)
InterLink interest expense (Note 9)	(4,495,513)	(4,533,513)
Interest expense	(10,956,025)	(12,153,363)
<b>Total nonoperating revenues (expenses), net</b>	<b>(7,963,468)</b>	<b>(9,430,056)</b>
<b>Loss before capital contributions</b>	<b>(3,817,503)</b>	<b>(6,619,377)</b>
Capital Contributions, Net	30,757,179	9,428,844
<b>Change in net position</b>	<b>26,939,676</b>	<b>2,809,467</b>
Net Position, Beginning of Year, as Restated (Note 1)	300,386,306	299,577,087
Net Position, End of Year	<b>\$ 327,325,982</b>	<b>\$ 302,386,554</b>

See Notes to Financial Statements.

**Rhode Island Airport Corporation**

**Statements of Cash Flows**

**For the Years Ended June 30, 2015 and 2014**

	2015	2014
<b>Cash Flows From Operating Activities</b>		
Receipts from rentals and other services or fees	\$ 50,940,031	\$ 51,674,917
Payments to employees for services	(18,704,417)	(17,668,479)
Payments to suppliers and other	(9,846,167)	(12,069,521)
InterLink, net	6,135,762	5,853,451
<b>Net cash provided by operating activities</b>	<b>28,525,209</b>	<b>27,790,368</b>
<b>Cash Flows From Noncapital Financing Activities</b>		
Grant receipts	11,083,694	6,577,557
Grant payments	(14,683,662)	(8,507,420)
<b>Net cash used in noncapital financing activities</b>	<b>(3,599,968)</b>	<b>(1,929,863)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Collection of passenger facility charges	7,122,649	7,939,827
Proceeds from sale of capital assets	1,872	48,606
Other	415,708	8,125
Interest paid, long-term obligations	(16,840,115)	(18,373,695)
Capital contributions and grant revenues, net	20,965,517	8,961,644
Acquisition and construction of capital assets	(64,161,780)	(25,661,607)
Proceeds from long-term obligations	59,445,218	42,633,147
Payments on long-term obligations	(53,600,640)	(50,749,024)
<b>Net cash used in capital and related financing activities</b>	<b>(46,651,571)</b>	<b>(35,192,977)</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale and maturity of investments	7,509,085	4,001,964
Purchase of investments	(2,250,944)	(6,930,893)
Interest on investments	143,649	69,045
<b>Net cash provided by (used in) investing activities</b>	<b>5,401,790</b>	<b>(2,859,884)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(16,324,540)</b>	<b>(12,192,356)</b>
Cash and Cash Equivalents, Beginning of Year	106,079,350	118,271,706
Cash and Cash Equivalents, End of Year	<b>\$ 89,754,810</b>	<b>\$ 106,079,350</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>		
Current unrestricted assets	\$ 28,422,984	\$ 43,344,665
Current restricted assets	22,840,954	21,773,805
Noncurrent restricted assets	38,490,872	40,960,880
	<b>\$ 89,754,810</b>	<b>\$ 106,079,350</b>

(Continued)

**Rhode Island Airport Corporation**

**Statements of Cash Flows (Continued)  
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 4,145,965	\$ 2,810,679
Adjustments to reconcile operating income to net cash provided by operations		
Depreciation and amortization	24,717,124	24,464,738
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	(2,756,816)	66,027
Deposits and prepaid items	118,375	53,090
Increase (decrease) in:		
Accounts payable	(547,624)	93,659
Accrued expenses	2,990,231	261,009
Unearned revenue	52,148	41,166
Other noncurrent liabilities	(194,194)	-
<b>Net cash provided by operating activities</b>	<b>\$ 28,525,209</b>	<b>\$ 27,790,368</b>
Supplemental Disclosure for Cash Flow Information		
Noncash capital and related financing activities:		
Capital assets acquired through accounts payable	\$ 2,696,116	\$ 2,996,176
Capital contribution and grant revenues recognized through accounts receivable	17,883,203	6,926,708
Deferred amount on refundings recorded through:		
Reduction of unamortized bond insurance costs and unamortized original issue premiums and discounts	338,938	352,519

See Notes to Financial Statements.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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

##### **Reporting entity:**

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

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

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

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

##### **Measurement focus and basis of accounting:**

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

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

##### **Cash and cash equivalents:**

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

## Rhode Island Airport Corporation

### Notes to Financial Statements

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

RIAC's cash and cash equivalents include amounts designated by the Board of Directors for capital acquisition, construction and operating costs (see Note 6). Such amounts totaled \$5,100,000 as of June 30, 2015 and 2014.

#### **Receivables:**

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

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

#### **Investments:**

Investments, which include money market funds with maturities of greater than one year, are recorded at fair market value.

#### **Restricted assets:**

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

##### Restricted for certain expenditures:

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

##### Restricted for deposits:

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

##### Restricted for reserves:

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

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

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

**Capital assets and depreciation and amortization:**

Capital assets are stated at cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation, except for capital assets donated by the State which were recorded at the same net book value as previously reported by the State. Assets leased from the State by RIAC are recorded at the present value of the future minimum lease payments plus the amounts expended from the funding received from the federal government. Approximately 50% of RIAC's capital assets are subject to lease. RIAC defines capital assets as assets with an initial cost of more than \$2,500 and an estimated useful life in excess of one year. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs and costs associated with the Noise Mitigation Program are expensed as incurred except for the value of the land acquired, which is capitalized. Interest expense incurred on bonds payable during the construction phase of capital assets, net of interest income earned on project-specific bond proceeds invested over the same period, is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Assets leased from the State	5-25
Leasehold improvements	7-50
Machinery and equipment	3-15
Vehicles	5-10

**Deferred outflows/inflows of resources:**

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

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

## Rhode Island Airport Corporation

### Notes to Financial Statements

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

##### **Compensated absences:**

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

##### **Original issue premium or discount:**

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

##### **Net position:**

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

##### *Net investment in capital assets:*

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

##### *Restricted net position:*

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

##### *Unrestricted net position:*

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

##### **Revenue recognition:**

##### *Rental, concession fees and other:*

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

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

## Rhode Island Airport Corporation

### Notes to Financial Statements

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

##### Landing fees and airfield revenues:

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

##### Parking:

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

##### Passenger facility charges:

Passenger Facility Charges (PFC) net receipts are restricted for use on pre-approved Federal Aviation Administration (FAA) projects, including related debt service. The FAA has approved PFC funding for twenty-six projects that comprise a significant portion of RIAC's capital improvement program. RIAC has been authorized to collect PFCs in the aggregate amount of approximately \$261,936,000 based on a rate of \$4.50 per enplaned passenger. Aggregate collections, including interest thereon, through June 30, 2015 were approximately \$157,461,000. Passenger facility charges are recorded as nonoperating revenue as earned, based on enplaned passengers.

##### Customer facility charges:

Effective July 1, 2001, rental car agencies operating under lease agreements with RIAC were required to impose a customer facility charge (CFC) per transaction day on substantially all car rentals. Effective April 1, 2014 the CFC is \$6.00. CFC revenue is recorded as operating revenue as earned, based upon daily car rentals reported by the rental car agencies. Additional CFC revenues resulting from audits of the rental car agency records are recognized when such amounts become known. See Note 9 for further discussion.

##### Grants and capital contributions:

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

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

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

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

## Rhode Island Airport Corporation

### Notes to Financial Statements

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

##### **Noise mitigation program:**

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

##### **Runway protection zone - land acquisition program:**

The Land Acquisition Program consists of the voluntary acquisition of properties located in the newly defined Runway Protection Zone (RPZ) for the Runway 5-23 extension, which is funded in part by federal grants. Costs related to this program are expensed as incurred, except for the value of land acquired, which is capitalized. Revenue and expenses for this program are included in grant revenues and grant expenses, respectively, in the nonoperating section of the statements of revenues, expenses and changes in net position.

##### **Pension plans:**

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

##### **Use of estimates:**

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

##### **Pronouncements issued, not yet effective:**

*GASB Statement No. 72, Fair Value Measurement and Application*, will be effective for financial statements for periods beginning after June 15, 2015. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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

*GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, will be effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements accountability of this statement for pension plans that are within the scope of *Statement No. 67* or for pensions that are within the scope of *Statement No. 68* are effective for fiscal years beginning after June 15, 2015. The objective of this statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

*GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, will be effective for financial statements for periods beginning after June 15, 2016. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for financial statements for periods beginning after June 15, 2017. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

*GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for financial statements for periods beginning after June 15, 2015. The objective of this statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes *Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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

*GASB Statement No. 77, Tax Abatement Disclosures*, will be effective for financial statements for periods beginning after December 15, 2015. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues in order to better allow users to understand how tax abatements affect a government's future ability to raise resources and meet its financial obligations and the impact those abatements have on a government's financial position and economic condition.

Management has not yet determined the effect that the above GASB statements will have on the financial statements.

#### **Adoption of new accounting pronouncements:**

The GASB issued *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*, in June 2012 and, its amendment, *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*, which was effective for RIAC's fiscal year 2015. This statement revises and establishes new financial accounting and reporting requirements for most governments that provide their employees with pension benefits. Among other requirements, *Statement No. 68* requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and the related recognition of pension expense. RIAC implemented this statement during fiscal year 2015. The effects on the RIAC's financials are as follows: The beginning net position was adjusted by \$2,000,248, a net pension liability of \$1,973,129 was added, deferred pension expense of \$145,666 and a deferred pension credit of \$172,785 were added. Details can be found in Note 10. With respect to the comparative information as of and for the year ended June 30, 2014, 2014 balances could not be restated as information required to adopt the standard is not available to RIAC.

#### **Reclassification:**

Certain amounts for the year ended June 30, 2014 have been reclassified, with no effect on 2014 net income, to be consistent with the classification adopted for the year ended June 30, 2015.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 2. Cash, Cash Equivalents and Investments

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

	<u>2015</u>	<u>2014</u>
Unrestricted cash and cash equivalents:		
Demand deposits	\$ 28,422,984	\$ 43,344,665
Restricted cash, cash equivalents and investments:		
Demand deposits	22,840,954	21,773,805
U.S. Treasury notes	11,704,229	2,258,449
<b>Total restricted cash, cash equivalents and investments</b>	<u>34,545,183</u>	<u>24,032,254</u>
Non-current restricted cash, cash equivalents and investments:		
Demand deposits	11,059,493	11,825,781
Money market funds	27,431,379	29,135,099
U.S. Treasury notes	-	14,703,921
<b>Total non-current restricted cash, cash equivalents and investments</b>	<u>38,490,872</u>	<u>55,664,801</u>
<b>Total</b>	<u>\$ 101,459,039</u>	<u>\$ 123,041,720</u>

#### Deposits:

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

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

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

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

The bank balances of RIAC's cash deposits totaling \$67,880,357 and \$77,718,850 that were exposed to custodial credit risk as of June 30, 2015 and 2014, respectively, are as follows:

	2015	2014
Uninsured, but collateralized with securities held by the pledging bank's trust department or agent in RIAC's name	\$ 67,630,357	\$ 77,568,850

**Investments:**

Interest rate risk:

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

Type of Investment	Fair Value	2015	
		Investment Maturities (in Years)	
		Less Than 1 Year	1-5 Years
Money market funds	\$ 27,431,379	\$ 27,431,379	\$ -
U.S. Treasury notes	11,704,229	11,704,229	-
	<u>\$ 39,135,608</u>	<u>\$ 39,135,608</u>	<u>\$ -</u>

Type of Investment	Fair Value	2014	
		Investment Maturities (in Years)	
		Less Than 1 Year	1-5 Years
Money market funds	\$ 29,135,099	\$ 29,135,099	\$ -
U.S. Treasury notes	16,962,370	2,258,449	14,703,921
	<u>\$ 46,097,469</u>	<u>\$ 31,393,548</u>	<u>\$ 14,703,921</u>

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

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

**Credit risk:**

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

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

	2015	2014
	AAA	AAA
Money market funds	\$ 27,431,379	\$ 29,135,099

**Custodial credit risk:**

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

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

**Concentration of credit risk:**

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

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

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**Note 3. Accounts Receivable**

Accounts receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Unrestricted		
Accounts receivable, trade	\$ 3,228,080	\$ 1,531,710
Due from federal government	18,065,238	6,926,708
Other	6,159	5,388
	<u>21,299,477</u>	<u>8,463,806</u>
Less: allowance for uncollectible amounts	299,184	242,468
	<u>\$ 21,000,293</u>	<u>\$ 8,221,338</u>

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

	2015	2014
Restricted		
Due from airlines - passenger facility charges	\$ 757,746	\$ 728,362
Due from car rental agencies - InterLink facility revenues	821,029	699,156
Other	3,126	11,827
	<u>\$ 1,581,901</u>	<u>\$ 1,439,345</u>

Rhode Island Airport Corporation

Notes to Financial Statements

Note 4. Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 is as follows:

	2015			
	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated/amortized				
Land	\$ 42,641,889	\$ 2,825,800	\$ -	\$ 45,467,689
Construction in progress	37,653,776	54,764,007	(39,834,019)	52,583,764
<b>Total capital assets, not being depreciated/ amortized</b>	<b>80,295,665</b>	<b>57,589,807</b>	<b>(39,834,019)</b>	<b>98,051,453</b>
Capital assets, being depreciated/amortized				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	651,661,930	36,718,295	-	688,380,225
Machinery and equipment	50,474,439	4,807,064	(313,646)	54,967,857
Vehicles	2,012,737	112,519	-	2,125,256
<b>Total capital assets being depreciated/ amortized</b>	<b>734,757,955</b>	<b>41,637,878</b>	<b>(313,646)</b>	<b>776,082,187</b>
Less accumulated depreciation/amortization for				
Assets leased from the State	(26,520,021)	(918,474)	-	(27,438,495)
Leasehold improvements	(232,064,581)	(20,998,082)	-	(253,062,663)
Machinery and equipment	(31,303,757)	(3,303,409)	311,043	(34,296,123)
Vehicles	(1,841,005)	(44,611)	-	(1,885,616)
<b>Total accumulated depreciation and amortization</b>	<b>(291,729,364)</b>	<b>(25,264,576)</b>	<b>311,043</b>	<b>(316,682,897)</b>
<b>Total capital assets, being depreciated/amortized, net</b>	<b>443,028,591</b>	<b>16,373,302</b>	<b>(2,603)</b>	<b>459,399,290</b>
<b>Total capital assets, net</b>	<b>\$ 523,324,256</b>	<b>\$ 73,963,109</b>	<b>\$ (39,836,622)</b>	<b>\$ 557,450,743</b>

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

**Note 4. Capital Assets (Continued)**

	2014			
	Beginning Balance	Increases/ Transfers	Decreases/ Transfers	Ending Balance
Capital assets, not being depreciated/amortized				
Land	\$ 39,834,189	\$ 2,807,700	\$ -	\$ 42,641,889
Construction in progress	8,050,978	32,351,415	(2,748,617)	37,653,776
<b>Total capital assets, not being depreciated/ amortized</b>	<b>47,885,167</b>	<b>35,159,115</b>	<b>(2,748,617)</b>	<b>80,295,665</b>
Capital assets, being depreciated/amortized				
Assets leased from the State	30,608,849	-	-	30,608,849
Leasehold improvements	649,956,890	1,705,040	-	651,661,930
Machinery and equipment	49,208,586	1,383,992	(118,139)	50,474,439
Vehicles	2,110,604	-	(97,867)	2,012,737
<b>Total capital assets being depreciated/amortized</b>	<b>731,884,929</b>	<b>3,089,032</b>	<b>(216,006)</b>	<b>734,757,955</b>
Less accumulated depreciation/amortization for				
Assets leased from the State	(25,601,547)	(918,474)	-	(26,520,021)
Leasehold improvements	(211,113,211)	(20,951,370)	-	(232,064,581)
Machinery and equipment	(28,380,988)	(3,022,707)	99,938	(31,303,757)
Vehicles	(1,849,756)	(89,116)	97,867	(1,841,005)
<b>Total accumulated depreciation and amortization</b>	<b>(266,945,502)</b>	<b>(24,981,667)</b>	<b>197,805</b>	<b>(291,729,364)</b>
<b>Total capital assets, being depreciated/amortized, net</b>	<b>464,939,427</b>	<b>(21,892,635)</b>	<b>(18,201)</b>	<b>443,028,591</b>
<b>Total capital assets, net</b>	<b>\$ 512,824,594</b>	<b>\$ 13,266,480</b>	<b>\$ (2,766,818)</b>	<b>\$ 523,324,256</b>

Capitalized interest included in capital asset additions for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014
Interest expense capitalized	\$ 401,536	\$ 185,513

As of June 30, 2015 and 2014, RIAC was obligated for the completion of certain airport improvements under commitments of approximately \$31,380,000 and \$35,323,000, respectively, which are expected to be funded from current available resources and future operations.

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

**Note 5. Long-Term Obligations**

Long-term obligations activity for the years ended June 30, 2015 and 2014 is as follows:

	2015				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue and special facility bonds payable	\$ 284,964,795	\$ 61,104,418	\$ (58,630,000)	\$ 287,439,213	\$ 10,842,322
Unamortized amounts:					
Original issue premiums	6,809,488	-	(1,422,008)	5,387,480	-
<b>Total bonds payable</b>	<b>291,774,283</b>	<b>61,104,418</b>	<b>(60,052,008)</b>	<b>292,826,693</b>	<b>10,842,322</b>
Other liabilities:					
State of Rhode Island payable	2,020,000	-	(1,525,000)	495,000	-
Note payable	151,247	-	(105,838)	45,409	45,409
TIFIA loan	41,540,891	-	-	41,540,891	-
Net pension liability	-	2,167,323	(194,194)	1,973,129	-
Due to other component unit	-	1,615,023	-	1,615,023	235,000
	<b>\$ 335,486,421</b>	<b>\$ 64,886,764</b>	<b>\$ (61,877,040)</b>	<b>\$ 338,496,145</b>	<b>\$ 11,122,731</b>

	2014				
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue and special facility bonds payable	\$ 292,537,338	\$ 41,872,457	\$ (49,445,000)	\$ 284,964,795	\$ 10,005,000
Unamortized amounts:					
Original issue discounts	(167,266)	-	167,266	-	-
Original issue premiums	6,302,688	1,206,364	(699,564)	6,809,488	-
<b>Total bonds payable</b>	<b>298,672,760</b>	<b>43,078,821</b>	<b>(49,977,298)</b>	<b>291,774,283</b>	<b>10,005,000</b>
Other liabilities:					
State of Rhode Island payable	3,575,000	-	(1,555,000)	2,020,000	-
Note payable	252,790	-	(101,543)	151,247	105,838
TIFIA loan	41,540,891	-	-	41,540,891	-
	<b>\$ 344,041,441</b>	<b>\$ 43,078,821</b>	<b>\$ (51,633,841)</b>	<b>\$ 335,486,421</b>	<b>\$ 10,110,838</b>

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

**Note 5. Long-Term Obligations (Continued)**

**Revenue and special facility bonds payable:**

Revenue and special facility bonds payable consist of the following bond issues as of June 30, 2015 and 2014:

Description	Date of Maturity	Interest Rate	2015	2014
1994 Series A bonds	07/01/2014	5.25%-7.0%	\$ -	\$ 1,190,000
2004 Series A bonds	07/01/2024	2.0%-5.0%	-	48,720,000
2005 Series A, B and C bonds	07/01/2030	3.0%-5.0%	97,655,000	101,920,000
2008 Series A, B and C bonds	07/01/2038	3.5%-5.25%	39,145,000	41,810,000
2013 Series A bonds	09/01/2034	.51%-2.73%	29,824,213	11,699,795
2013 Series B bonds	07/01/2028	4.1%-5.0%	30,700,000	30,700,000
2013 Series C bonds	07/01/2015	3.0%-4.0%	1,025,000	2,055,000
2015 Series A bonds	07/01/2024	2.0%	42,980,000	-
<b>Total revenue bonds payable</b>			<u>241,329,213</u>	<u>238,094,795</u>
2006 First Lien Special Facility Bonds	07/01/2036	4.0%-5.0%	46,110,000	46,870,000
<b>Total revenue and special facility bonds payable</b>			<u>\$ 287,439,213</u>	<u>\$ 284,964,795</u>

Aggregate scheduled principal and interest payments due on RIAC's long-term obligations as of June 30, 2015 through maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 10,887,731	\$ 16,619,154	\$ 27,506,885
2017	14,847,000	13,953,519	28,800,519
2018	15,843,043	13,883,606	29,726,649
2019	16,445,190	13,323,053	29,768,243
2020	17,041,553	12,627,627	29,669,180
2021-2025	91,152,512	50,883,921	142,036,433
2026-2030	79,602,323	32,224,556	111,826,879
2031-2035	39,528,662	16,927,838	56,456,500
2036-2040	33,959,093	7,627,479	41,586,572
2041-2042	10,213,406	812,668	11,026,074
	<u>\$329,520,513</u>	<u>\$178,883,421</u>	<u>\$508,403,934</u>

Revenue bonds are issued by Commerce RI on behalf of RIAC. The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds, except for the 2006 First Lien Special Facility Bonds, are secured by the net revenues derived from the operation of the airports. The 2006 First Lien Special Facility Bonds are secured solely by the net revenues derived from the InterLink.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 5. Long-Term Obligations (Continued)

##### Pledged revenues from airport operations:

Per its Master Indenture of Trust and Supplemental Indentures, RIAC has pledged net revenues derived from the operation by RIAC of the Airport and Certain General Aviation Airports to repay approximately \$241,329,000 in airport revenue bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts Available to Pay Debt Service per the Master Indenture, including pledged Passenger Facility Charges, were approximately \$36,860,000 and \$38,243,000 for the years ended June 30, 2015 and June 30, 2014, respectively. Principal and interest payments per the terms of the Master Indenture for the years ended June 30, 2015 and June 30, 2014 were approximately \$20,950,000 and \$21,208,000, respectively.

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 10,043,409	\$ 11,973,969	\$ 22,017,378
2017	13,927,000	9,354,189	23,281,189
2018	14,398,000	10,843,444	25,241,444
2019	14,892,000	10,247,528	25,139,528
2020	15,364,000	9,587,745	24,951,745
2021-2025	80,752,000	36,712,800	117,464,800
2026-2030	65,069,000	16,060,712	81,129,712
2031-2035	19,634,213	4,391,350	24,025,563
2036-2040	7,790,000	1,513,475	9,303,475
	<u>\$241,869,622</u>	<u>\$110,685,212</u>	<u>\$352,554,834</u>

##### 2015 Airport Revenue Refunding Bonds-In-Substance Defeasance:

In March 2015, RIAC issued \$42,980,000 Series A Airport Revenue Refunding Bonds, along with a cash paydown of \$6,598,000, to enable the defeasance of \$48,625,000 in 2004 Series A General Airport Revenue Bonds. The 2015 Series A refund issue matures annually from 2015 through 2024 with interest coupons at 2%. RIAC's defeasance of the 2004 Series A Bonds resulted in economic present value savings of \$5,884,000 or 12% of the refunded bonds. The cash savings of the difference was approximately \$7,105,000. The refunding resulted in a deferred loss on refunding in the amount of approximately \$1,659,000 which is included in Deferred Outflows of Resources in the statements of net position.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 5. Long-Term Obligations (Continued)

##### State of Rhode Island payable:

The Lease Agreement with the State requires RIAC to make annual payments to the State in an amount equal to the principal and interest payments due to bondholders under certain airport-related General Obligation Bonds issued on behalf of RIAC. Although the original airport-related General Obligation Bonds were defeased in June 2002, the terms of the Lease Agreement require RIAC to continue to remit payments to the State based upon the amortization schedule of original airport-related General Obligation Bonds through June 2023 (see Note 8). As of June 30, 2015 and 2014, the amounts owed were approximately \$495,000 and \$2,020,000, respectively.

##### Note payable:

RIAC has financed the acquisition of a parcel of land with seller-provided financing. The note requires monthly payments of principal and interest of \$9,176, including interest at 4.15% through November 2015. As of June 30, 2015 and 2014, the amounts owed were approximately \$46,000 and \$151,000, respectively.

##### TIFIA loan:

In June 2006, RIAC, the EDC and the Rhode Island Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement), agreement number TIFIA – No. 2006-1001, which provides for borrowings of up to \$42,000,000 with the United States Department of Transportation (US DOT) under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement is to reimburse Commerce RI and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink. RIAC was permitted under the Agreement to make requisitions of funds for eligible project costs through fiscal year 2013. RIAC began making payments of interest in fiscal year 2012, with interest at a rate of 5.26%. Payments are made on behalf of Commerce RI (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2015, RIAC had approximately \$41,541,000 in borrowings under this Agreement. See Note 9 for schedule of obligations to be paid from InterLink net revenues.

#### Note 6. Net Position

Restricted net position of RIAC consists of the following as of June 30, 2015 and 2014:

	2015	2014
Restricted		
Capital acquisition and construction	\$ 5,049,158	\$ 9,908,494
Passenger facility charges	7,197,252	8,303,136
InterLink	19,321,603	18,254,561
Operating and maintenance reserve - airports	4,682,000	4,453,000
Operating and maintenance reserve - InterLink	737,500	680,000
Emergency renewal and replacement reserve - InterLink	2,000,000	2,000,000
Repair and rehabilitation reserve - airports	500,000	500,000
	<u>\$ 39,487,513</u>	<u>\$ 44,099,191</u>

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 6. Net Position (Continued)

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

Unrestricted net position consists of the following as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Unrestricted net position designated for capital acquisition, construction and operating costs	\$ 5,100,000	\$ 5,100,000
Unrestricted, undesignated net position	35,260,858	40,282,596
	<u>\$ 40,360,858</u>	<u>\$ 45,382,596</u>

#### Note 7. Operating Leases as Lessor

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

Year Ending June 30,

2016	\$ 19,036,098
2017	19,038,262
2018	19,082,033
2019	18,412,195
2020	18,494,081
	<u>\$ 94,062,669</u>

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

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 8. Related Party Transactions

The Lease Agreement between RIAC and the State is for a 30-year term (see Note 1) under which the State has agreed to lease various assets to RIAC for \$1 per year. In addition, the Lease Agreement requires RIAC to make annual payments to the State through June 2023 in amounts equal to the principal and interest payments due bondholders under certain airport-related General Obligation Bonds issued by the State on behalf of RIAC (see Note 5). In the event RIAC does not have sufficient funds to make the required payments when due, the amount is payable in the next succeeding fiscal year and remains an obligation of RIAC until paid in full. The State has no right to terminate the Lease Agreement so long as there are bonds and subordinate indebtedness outstanding.

Amounts due to the Quonset Development Corporation totaled \$1,615,023 and \$63,336 as of June 30, 2015 and 2014, respectively, and are included as due to other component unit in the accompanying statements of net position.

#### Note 9. InterLink Facility

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

Net Income for the InterLink is recorded as Operating Revenue in RIAC's statements of revenues, expenses and changes in net position. Facility Revenues for the InterLink include Customer Facility Charges (CFCs), Rental Car Rental Fees, and Net Commuter Parking Revenues. CFC revenues, including audit recoveries, were \$5,925,006 and \$5,463,755 for fiscal years 2015 and 2014, respectively. Operating Expenses include utilities, contracted maintenance, insurance and other costs associated with the InterLink. Depreciation related to the InterLink is reflected in this line item. Interest expense includes the interest component of RIAC's debt service on the 2006 Series Special Facility Bonds and the USDOT's and TIFIA loan. Interest income on accounts associated with the InterLink is also included in this line item. A breakdown of activity from the InterLink Facility is as follows:

	2015	2014
Facility revenues	\$ 7,811,008	\$ 7,261,224
Operating and maintenance expense	1,553,372	1,383,646
<b>InterLink operating income before depreciation and amortization</b>	<b>6,257,636</b>	<b>5,877,578</b>
Depreciation and amortization	4,559,002	4,559,359
<b>Operating income</b>	<b>1,698,634</b>	<b>1,318,219</b>
Interest expense	(4,495,513)	(4,533,513)
Interest income	25,338	7,167
<b>Net loss InterLink facility</b>	<b>\$ (2,771,541)</b>	<b>\$ (3,208,127)</b>

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 9. InterLink Facility (Continued)

**Pledged revenues from the InterLink facility:** RIAC has pledged Facility Revenues related to the InterLink, net of specified operating expenses, to repay \$46,870,000 in First Lien Special Facility Bonds and \$41,540,891 in the TIFIA loan. Proceeds from the bonds were used for the construction of the InterLink. Facility revenues, including interest income, net of specified operating expenses, were approximately \$6,283,000 and \$5,885,000 for the years ended June 30, 2015 and June 30, 2014, respectively. Principal and interest payments per the terms of the indenture of trust on the First Lien Special Facility Bonds for the years ended June 30, 2015 and June 30, 2014 were approximately \$3,143,000 and \$3,096,000, respectively. Principal and interest payments on the TIFIA loan for the years ended June 30, 2015 and June 30, 2014 were approximately \$2,185,000 for both years.

Obligations supported by Pledged InterLink Net Revenues are as follows:

Year Ending June 30,	Principal	Interest	Total
2016	\$ 845,000	\$ 4,483,014	\$ 5,328,014
2017	920,000	4,440,764	5,360,764
2018	1,445,043	4,834,807	6,279,850
2019	1,553,190	4,792,094	6,345,284
2020	1,677,553	4,737,594	6,415,147
2021-2025	10,400,512	19,934,037	30,334,549
2026-2030	14,533,323	16,809,897	31,343,220
2031-2035	19,894,448	12,615,274	32,509,722
2036-2040	26,169,093	6,602,041	32,771,134
2041-2042	10,212,729	812,668	11,025,397
	<u>\$ 87,650,891</u>	<u>\$ 80,062,190</u>	<u>\$167,713,081</u>

#### Note 10. Pension Plans

##### Defined Benefit Pension Plan:

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

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

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 10. Pension Plans (Continued)

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

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

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

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

**Contributions** – The funding policy, as set forth in the General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the plan. For fiscal 2015, RIAC employees are required to contribute 3.75% of their annual covered salary. RIAC is required to contribute at an actuarially determined rate; the rate was 23.33% of annual covered payroll for the fiscal year ended June 30, 2015. RIAC contributed \$175,135, \$167,075 and \$164,285 for the fiscal years ended June 30, 2015, 2014 and 2013, respectively, equal to 100% of the required contributions for each year.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources:**

At June 30, 2015, RIAC reported a liability of \$1,973,129 for its proportionate share of the net pension liability related to its participation in ERS. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RIAC's proportion of the net pension liability was based on its share of contributions to the ERS for fiscal year 2014 relative to the total contributions of all participating employers for that fiscal year. At June 30, 2014, RIAC's proportion was 0.11%.

The amended benefit provisions in the newly enacted legislation and settlement agreement have not been reflected in the determination of the net pension liability at June 30, 2014 (the measurement date). These amended benefit provisions are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rate from 3.75% to 11% and participate solely in the defined benefit plan going forward – service credit accruals will increase from 1% to 2% per year.
- Employees with more than 10 but less than 20 years of service at July 1, 2012 will receive an increased employer contribution to the defined contribution plan.

**Rhode Island Airport Corporation**

**Notes to Financial Statements**

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**Note 10. Pension Plans (Continued)**

- Retirees as of June 30, 2015 will receive two \$500 stipends; the interim cost of living increases will occur at 4 year rather 5 year intervals.
- Minor adjustments were made to the actuarial reduction for employees choosing to retire early.

These amendments are not considered to have a material effect on the net pension liability had they been retroactively applied to the calculation of the total pension liability at June 30, 2013 rolled forward to June 30, 2014. An actuarial analysis of the pension settlement provisions enacted by the General Assembly and approved by the Court indicated that the funded ratio at June 30, 2014 for state employees (determined on a funding basis) decreased from 57.4% to 56.1%.

For the year ended June 30, 2015, RIAC recognized pension expense of \$145,666. At June 30, 2015, RIAC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 175,135
<b>Total</b>	<b>\$ 175,135</b>

Deferred Inflows of Resources

Change of assumptions	\$ 21,430
Net difference between projected and actual earnings on pension plan investments	151,355
<b>Total</b>	<b>\$ 172,785</b>

\$175,135 reported as deferred outflows of resources related to pensions resulting from the RIAC's contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$ (42,720)
2017	(42,720)
2018	(42,720)
2019	(42,720)
2020	(1,905)

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 10. Pension Plans (Continued)

##### Actuarial assumptions:

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

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

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

The actuarial assumptions used in the June 30, 2013 valuations rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of an actuarial experience study performed as of June 30, 2013.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on forward-looking medium-term (10 year) capital market return assumptions developed by eight investment consulting firms. The June 30, 2014 expected arithmetic returns over the medium term by asset class as developed by the State Investment Commission's investment consultant, which are generally consistent with the averages utilized by the actuary, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Medium-Term Expected Real Rate of Return</u>
Global Equity	38%	6.05%
Private Equity	7%	9.05%
Equity Hedge Funds	8%	4.75%
Absolute Return Hedge Funds	7%	2.95%
Real Return	14%	3.85%
Real Estate	8%	4.45%
Core Fixed	15%	0.25%
Cash	3%	-0.50%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall medium-term expected rate of return best-estimate on an arithmetic basis. To arrive at the long-term expected return estimate, the actuary adjusts the medium-term number to reflect the longer 30-year time frame required for actuarial calculations. This process produces the actuarial expected return, which is based on a 30-year horizon, and can differ from the medium-term, 10-year-horizon return expectations.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### Note 10. Pension Plans (Continued)

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

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

<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>
\$ 2,436,990	\$ 1,973,129	\$ 1,499,758

#### Defined Contribution Plan Description:

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

As previously indicated in the disclosure of recently-enacted pension legislation, the employer contribution for certain qualifying employees will increase slightly beginning in fiscal 2016.

Amounts in the defined contribution plan are available to participants in accordance with Internal Revenue Service guidelines for such plans.

RIAC contributed \$7,511, \$7,460 and \$7,453 for the fiscal years ended June 30, 2015, June 30, 2014, and June 30, 2013, respectively, equal to 100% of the required contributions for these years.

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

#### Money Purchase Pension Plan:

Employees hired by RIAC on or after July 1, 1993 are eligible to participate in the Money Purchase Pension Plan and Trust, a defined contribution plan administered by RIAC. The number of RIAC employees covered by this Plan throughout the year averaged 140 in 2015 and 136 in 2014. RIAC's total payroll for the year ended June 30, 2015 was approximately \$12,301,000, of which \$10,217,000 was covered under the Plan. RIAC's total payroll for the year ended June 30, 2014 was approximately \$12,010,000, of which \$10,056,000 was covered under the Plan. RIAC's total payroll for the year ended June 30, 2013 was approximately \$11,713,000, of which \$9,754,000 was covered under the Plan.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### **Note 10. Pension Plans (Continued)**

In order to participate in the Plan, covered employees must contribute 8% of their base pay to the Plan. Participants are 100% vested in the amounts they contribute. Withdrawals of these contributed amounts are not permitted prior to termination of employment. RIAC matches 100% of participants' required contributions under a one-year vesting schedule. Total contributions for the year ended June 30, 2015 were approximately \$817,000 by the employer and \$828,000 by the employees, respectively. Total contributions for the year ended June 30, 2014 were approximately \$805,000 by the employer and \$819,000 by the employees, respectively. Total contributions for the year ended June 30, 2013 were approximately \$585,000 by the employer and \$599,000 by the employees, respectively.

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

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

#### **Note 11. Other Post-Employment Benefits**

##### **Plan description:**

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

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

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

##### **Funding policy:**

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

For fiscal year 2015, employers were required to contribute 6.75% of covered payroll. The employer required contribution rate is determined on an actuarially determined basis consistent with a funding approach outlined in the General Laws and as adopted by the OPEB System Board. RIAC fully funded its required contribution to the Plan for the years ended June 30, 2015, 2014 and 2013 which was \$53,098, \$50,767 and \$53,048, respectively.

## Rhode Island Airport Corporation

### Notes to Financial Statements

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#### **Note 12. Risk Management**

RIAC is self-insured for workers' unemployment. RIAC pays for unemployment claims as they are incurred. At June 30, 2015 and 2014 there are no material liabilities outstanding.

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

#### **Note 13. Major Customers**

For the years ended June 30, 2015 and 2014, approximately 16% of RIAC's revenue was derived from sales made to one customer. There were no accounts receivable from this customer as of June 30, 2015 and 2014.

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

#### **Note 14. Contingencies**

RIAC participates in a number of programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, RIAC may be required to reimburse the grantor government. As of June 30, 2015 and 2014, significant amounts of grant expenditures have not been audited by grantors, but RIAC believes that disallowed expenditures, if any, based on subsequent audits will not have a material adverse effect on the overall financial position of RIAC.

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

In connection with these matters, RIAC has recorded estimated claims, judgments and other settlements totaling \$164,000 as of June 30, 2015 and 2014. Such amounts are included in liabilities for claims, judgments and other settlements in the accompanying statements of net position.

**Required Supplementary Information**

**Rhode Island Airport Corporation**

**Required Supplementary Information - unaudited  
Schedule of RIAC's Proportionate Share of the Net Pension Liability  
June 30, 2015**

	2015
Proportion of the net pension liability	0.1107314%
Proportionate share of the net pension liability	\$ 1,973,129
Covered employee payroll	\$ 750,686
Proportionate share of the net pension liability as a percentage of its covered employee payroll	262.84%
Plan fiduciary net position as a percentage of the total pension liability	58.60%

**Rhode Island Airport Corporation**

**Required Supplementary Information - unaudited  
Schedule of RIAC's Contributions  
Employee's Retirement System  
June 30, 2015**

	2015
Statutorily determined contribution	\$ 175,135
Contributions in relation to the statutorily determined contribution	175,135
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 750,686
Contributions as a percentage of covered - employee payroll	23.33%

**Supplementary Information**

State of Rhode Island Presentation - Statement of Net Position  
June 30, 2015

	RIAC
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 28,422,984
Investments	-
Receivables (net)	2,935,055
Restricted assets:	
Cash and cash equivalents	22,840,954
Investments	11,704,229
Receivables (net)	1,581,901
Other assets	92,906
Due from primary government	-
Due from other component units	-
Due from other governments	18,065,238
Inventories	-
Other assets	545,331
<b>Total current assets</b>	<b>86,188,598</b>
Noncurrent Assets	
Investments	-
Receivables (net)	504,295
Restricted assets:	
Cash and cash equivalents	38,490,872
Investments	-
Receivables (net)	-
Other assets	-
Due from other component units	-
Capital assets - nondepreciable	98,051,453
Capital assets - depreciable (net)	459,399,290
Other assets, net of amortization	1,388,620
<b>Total noncurrent assets</b>	<b>597,834,530</b>
<b>Total assets</b>	<b>684,023,128</b>
<b>Deferred Outflows of Resources</b>	
Accumulated decrease in fair value of hedging derivatives	-
Deferred amounts on refunding	4,778,194
Other deferred outflows of resources	175,135
<b>Total deferred outflows on refunding</b>	<b>4,953,329</b>
<b>Liabilities</b>	
Current Liabilities	
Cash overdraft	-
Accounts payable	8,183,119
Due to primary government	-
Due to other component units	-
Due to other governments	-
Unearned revenue	298,563
Other liabilities	14,499,863
Current portion of long-term debt	11,122,731
<b>Total current liabilities</b>	<b>34,104,276</b>
Noncurrent Liabilities	
Due to primary government	495,000
Due to other component units	1,380,023
Due to other governments	-
Net pension liability	1,973,129
Net OPEB obligation	-
Unearned revenue	-
Notes payable	41,540,891
Loans payable	-
Obligations under capital leases	-
Compensated absences	-
Other liabilities	-
Bonds payable	281,984,371
<b>Total noncurrent liabilities</b>	<b>327,373,414</b>
<b>Total liabilities</b>	<b>361,477,690</b>
<b>Deferred Inflows of Resources</b>	
Accumulated increase in fair value of hedging derivatives	-
Deferred amounts on refunding	-
Other deferred inflows of resources	172,785
<b>Total deferred inflows of resources</b>	<b>172,785</b>
<b>Net Position</b>	
Net investment in capital assets	247,477,611
Restricted for:	
Debt	-
Other	39,487,513
Nonexpendable	-
Unrestricted	40,360,858
<b>Total net position</b>	<b>\$ 327,325,982</b>

**State of Rhode Island Presentation - Statement of Activities  
For the Year Ended June 30, 2015**

	<b>RIAC</b>
<b>Expenses</b>	<b>\$ 87,291,433</b>
Program Revenues	
Charges for services	68,485,866
Operating grants and contributions	-
Capital grants and contributions	45,195,317
<b>Total program revenues</b>	<b>113,681,183</b>
<b>Net (expenses) revenues</b>	<b>26,389,750</b>
General Revenues	
Interest and investment earnings	134,948
Miscellaneous revenue	414,978
<b>Total general revenue</b>	<b>549,926</b>
Special Items	-
Extraordinary Items	-
<b>Change in net position</b>	<b>26,939,676</b>
<b>Total net position - beginning, as restated</b>	<b>300,386,306</b>
<b>Total net position - ending</b>	<b>\$ 327,325,982</b>

**State of Rhode Island Presentation - Schedule of Maturities - Bonds  
For the Year Ended June 30, 2015**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 10,843,000	\$ 14,199,826
2017	14,742,000	11,586,440
2018	15,288,000	11,089,335
2019	15,887,000	10,541,367
2020	16,484,000	9,857,480
2021-2025	88,192,000	39,932,960
2026-2030	75,919,000	22,412,643
2031-2035	34,769,213	8,435,512
2036-2040	15,315,000	1,595,687
	<u>\$ 287,439,213</u>	<u>\$ 129,651,250</u>

**State of Rhode Island Presentation - Schedule of Maturities - Note Payable  
For the Year Ended June 30, 2015**

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	<u>\$ 45,409</u>	<u>\$ 472</u>

State of Rhode Island Presentation - Schedule of Maturities - TIFIA Payable  
 For the Year Ended June 30, 2015

Fiscal Year Ending June 30,	Principal	Interest
2016	\$ -	\$ 2,185,051
2017	-	2,185,051
2018	440,043	2,625,094
2019	463,190	2,625,094
2020	487,553	2,625,094
2021-2025	2,850,512	10,366,287
2026-2030	3,683,323	9,442,147
2031-2035	4,759,448	8,366,024
2036-2040	18,644,093	6,031,791
2041-2042	10,212,729	812,668
	\$ 41,540,891	\$ 47,264,301

State of Rhode Island Presentation - Schedule of Changes in Long-Term Debt  
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds Payable	\$ 284,964,795	\$ 61,104,418	\$ 58,630,000	\$ 287,439,213	\$ 10,842,322	\$ 276,596,891
Net Unamortized Premium/Discount	6,809,488	-	1,422,008	5,387,480	-	5,387,480
<b>Bonds payable</b>	<u>291,774,283</u>	<u>61,104,418</u>	<u>60,052,008</u>	<u>292,826,693</u>	<u>10,842,322</u>	<u>281,984,371</u>
Notes Payable	151,247	-	105,838	45,409	45,409	-
Loans Payable	-	-	-	-	-	-
Obligations Under Capital Leases	-	-	-	-	-	-
Net OPEB Obligation	-	-	-	-	-	-
Net Pension Liability	-	2,167,323	194,194	1,973,129	-	1,973,129
Due to Primary Government	2,020,000	-	1,525,000	495,000	-	495,000
Due to Component Units	-	1,615,023	-	1,615,023	235,000	1,380,023
Due to Other Governments and Agencies	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Compensated Absences	-	-	-	-	-	-
Included in Other Liabilities						
Arbitrage rebate	-	-	-	-	-	-
Pollution remediation	-	-	-	-	-	-
Items not listed above	41,540,891	-	-	41,540,891	-	41,540,891
<b>Other liabilities</b>	<u>41,540,891</u>	<u>-</u>	<u>-</u>	<u>41,540,891</u>	<u>-</u>	<u>41,540,891</u>
	<u>\$ 335,486,421</u>	<u>\$ 64,886,764</u>	<u>\$ 61,877,040</u>	<u>\$ 338,496,145</u>	<u>\$ 11,122,731</u>	<u>\$ 327,373,414</u>

Rhode Island Airport Corporation

Schedule of Travel & Entertainment Expenses  
For the Year Ended June 30, 2015

Employee	Purpose	Date	Place		
R Stella	AAAE Accreditation Academy	7/6/14 to 7/12/14	Arlington, VA	\$	1,748
P McDonough	NEC/AAAE Annual Conference	8/9/14 to 8/13/14	Buffalo, NY		1,287
K Fredericks	NEC/AAAE Annual Conference	8/10/14 to 8/12/14	Buffalo, NY		1,008
K Fredericks	Airline Visit	8/14/2014	Nantucket, MA		719
D Meadows	Glycol Facility Visit	8/18/14 to 8/21/14	Portland, OR		1,749
D Nettleton	Glycol Facility Visit	8/18/14 to 8/21/14	Portland, OR		2,026
L Allen	Crouse Hinds Airfield Lighting	9/9/14 to 9/12/14	Windsor Locks, CT		467
N Shmaruk	Crouse Hinds Airfield Lighting	9/9/14 to 9/11/14	Windsor Locks, CT		422
P Goldstein	2014 World Routes	9/20/14 to 9/23/14	Chicago, IL		1,445
T Pimental	2014 World Routes	9/20/14 to 9/23/14	Chicago, IL		1,342
L Messier	ALEAN Fall Conference	9/21/14 to 9/25/14	Las Vegas, NV		1,463
J Ottaviano	ALEAN Fall Conference	9/22/14 to 9/24/14	Las Vegas, NV		1,008
J Amorin	South Carolina Fire Academy	9/29/14 to 10/3/14	Columbia, SC		859
D Porter	Airport Noise Mitigation Symposium	10/5/14 to 10/7/14	Fort Lauderdale, FL		575
P King	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		943
J Nielson	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		1,010
L Walsh	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		1,122
D Lucas	NBAA National Forum	10/21/14 to 10/23/14	Orlando, FL		291
K Fredericks	NASAO Meeting	10/30/2014	Washington, DC		340
Various	Rhode Island Aviation Hall of Fame Dinner	11/22/2014	Cranston, RI		375
Various	Greater Providence Chamber of Commerce 2014 Annual Meeting	11/24/2014	Providence, RI		1,350
P Frazier	Legislative EDS Meeting	12/4/2014	Washington, DC		496
K Fredericks	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		4,920
P Goldstein	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,434
T Pimental	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,529
S Avedisian	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,183
M Valois	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,363
J Savage	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,363
J Bennett	Meeting with Shannon Airport	12/8/14 to 12/12/14	Shannon, Ireland		1,427
M Byrne	Meeting with Shannon Airport	12/11/14 to 12/12/14	Shannon, Ireland		236
Various	Community Outreach Meeting	1/14/2015	Warwick, RI		629
D Lucas	NBAA Schedulers & Dispatchers National Conference	2/3/15 to 2/6/15	San Jose, CA		1,442
B Schattle	AAAE Airport Finance Conference	2/8/15 to 2/10/15	Miami, FL		911
Various	Greater Providence Chamber of Commerce Legislative Luncheon	2/11/2015	Providence, RI		800
J Warcup	Bell Helicopter Training	2/24/15 to 2/25/15	Fort Worth, TX		818
K Fredericks	NASAO Board Meeting	2/26/15 to 2/27/15	Washington, DC		553
J Brolin	30th Annual Symposium Noise/Air Quality	2/28/15 to 3/4/15	Palm Springs, CA		1,484
P Frazier	Legislative EDS Meeting	3/4/2015	Washington, DC		555
B Schattle	Airline Visit	3/25/15 to 3/26/15	Dallas, TX		711
T Pimental	Airline Visit	3/25/15 to 3/26/15	Dallas, TX		711
K Fredericks	Airline Visit	3/25/15 to 3/26/15	Dallas, TX		1,650
B Schattle	Airline Visit	4/1/15 to 4/2/15	Dallas, TX		864
T Pimental	Airline Visit	4/1/15 to 4/2/15	Dallas, TX		859
K Fredericks	Airline Visit	4/1/15 to 4/2/15	Dallas, TX		1,854
M Chiarizio	South Carolina Fire Academy	4/5/15 to 4/10/15	Columbia, SC		1,007
P Cusick	Snow Symposium	4/17/15 to 4/23/15	Buffalo, NY		1,838
D Stubbs	Windows Server Training	4/17/15 to 5/3/15	Atlanta, GA		1,561
S Kelley	Snow Symposium	4/18/15 to 4/22/15	Buffalo, NY		564
K Kilty	Snow Symposium	4/18/15 to 4/22/15	Buffalo, NY		1,062
L Messier	ALEAN Spring Conference	4/19/15 to 4/22/15	Arlington, VA		1,418
D Ray	ALEAN Spring Conference	4/20/15 to 4/22/15	Arlington, VA		1,058
E Seabury	ACI-NA Airport Construction Summit	4/28/15 to 4/30/15	Ft. Lauderdale, FL		832
T Pimental	Airline Visit	4/29/2015	New York, NY		367
B Schattle	Airline Visit	4/29/2015	New York, NY		415
P Goldstein	Airline Visit	4/29/2015	New York, NY		364
K Fredericks	Airline Visit	4/29/2015	New York, NY		457
J Brolin	ACI-NA Deicing Management Conference	5/18/15 to 5/20/15	Arlington, VA		901
K Fredericks	Bond Meeting	5/21/2015	New York, NY		292
B Schattle	Bond Meeting	5/21/2015	New York, NY		334
N Williams	Bond Meeting	5/21/2015	New York, NY		292
K Fredericks	Airline Visit	5/29/2015	Atlanta, GA		868
B Schattle	Airline Visit	5/29/2015	Atlanta, GA		540
T Pimental	Airline Visit	5/29/2015	Atlanta, GA		557
P McDonough	NEC Annual Conference	6/5/15 to 6/11/15	Philadelphia, PA		1,936
K Fredericks	87th Annual AAEE Conference	6/6/15 to 6/10/15	Philadelphia, PA		1,817
A Shihadeh	AAAE Annual Conference	6/6/15 to 6/11/15	Philadelphia, PA		1,618
J Nielson	AAAE National Conference	6/7/15 to 6/10/15	Philadelphia, PA		1,254
J Warcup	National Transportation Safety Board Training	6/14/15 to 6/19/15	Ashburn, VA		1,089
Various	NBAA Regional Forum	6/25/2015	Teterboro, NJ		656
Various	Employee Trips to Block Island	7/1/14 to 6/30/15	Block Island, RI		2,638
Various	Board Meeting Expenses	7/1/14 to 6/30/15	Warwick, RI		1,948
Various	GA Working Group Meetings	7/1/14 to 6/30/15	Warwick, RI		841
Various	Employee Meetings and Functions	7/1/14 to 6/30/15	Warwick, RI		6,291
Various	Business Meeting Expenses	7/1/14 to 6/30/15	Warwick, RI		11,319
Various	Snow Meals	7/1/14 to 6/30/15	Warwick, RI		10,885
Various	Mileage, Parking, Tolls & Gas Reimbursement	7/1/14 to 6/30/15	Warwick, RI		6,629
Various	Miscellaneous Amounts under \$200	7/1/14 to 6/30/15	Warwick, RI		2,214
				\$	<u>115,203</u>

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



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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rhode Island Airport Corporation (RIAC), a component unit of the State of Rhode Island, and the related notes to the financial statements as of and for the year ended June 30, 2015, which collectively comprise the RIAC's basic financial statements, and have issued our report thereon dated September 30, 2015. Our report includes an emphasis of a matter paragraph because of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and its amendment, GASB Statement No. 71.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

The image shows a handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

New Haven, Connecticut  
September 30, 2015

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**Appendix C – Definitions and Summaries of Certain Provisions of the Principal Documents**

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## APPENDIX C

### DEFINITIONS AND SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL DOCUMENTS

#### DEFINITIONS USED IN THE PRINCIPAL DOCUMENTS AND THE OFFICIAL STATEMENT

“1993 Series A Bonds” shall mean the \$78,100,000 Airport Revenue Bonds, 1993 Series A dated as of October 1, 1993, issued pursuant to the First Supplemental Indenture.

“1994 Series Bonds” shall mean the \$30,000,000 Airport Revenue Bonds, 1994 Series A dated as of May 1, 1994, issued pursuant to the Second Supplemental Indenture.

“1998 Series Bonds” shall mean the \$61,175,000 Airport Revenue Bonds, 1998 Series dated as of June 1, 1998, issued pursuant to the Third Supplemental Indenture.

“2000 Series Bonds” shall mean the Corporation’s \$50,545,000 Airport Revenue Bonds, 2000 Series dated May 1, 2000, issued pursuant to the Fourth Supplemental Indenture.

“2003 Series A Bonds” shall mean the Corporation’s \$31,725,000 Airport Revenue Refunding Bonds, dated October 9, 2003, issued pursuant to the Fifth Supplemental Indenture.

“2004 Series A Bonds” shall mean the \$52,665,000 Airport Revenue Refunding Bonds, dated April 15, 2004, issued pursuant to the Sixth Supplemental Indenture.

“2005 Series Bonds” shall mean the \$115,525,000 Airport Revenue Bonds, 2005 Series, dated June 28 2005, issued pursuant to the Seventh Supplemental Indenture.

“2008 Series Bonds” shall mean the Corporation’s \$51,165,000 Airport Revenue Bonds 2008 Series dated as of June 12, 2008, issued pursuant to the Eighth Supplemental Indenture.

“2013 Series A Bonds” shall mean the \$33,500,000 Airport Revenue Bonds, 2013 Series A dated as of June 6, 2013, issued pursuant to the Ninth Supplemental Indenture.

“2013 Series B Bonds” shall mean the \$30,700,000 Airport Revenue Refunding Bonds, Series B (Non-AMT) dated as of December 4, 2013, issued pursuant to the Tenth Supplemental Indenture.

“2013 Series C Bonds” shall mean the \$2,055,000 Airport Revenue Refunding Bonds, 2013 Series C (AMT) dated as of December 4, 2013, issued pursuant to the Tenth Supplemental Indenture.

“2015 Series A Bonds” shall mean the \$42,980,000 Airport Revenue Refunding Bonds, 2015 Series A (AMT) dated as of March 23, 2015, issued pursuant to the Eleventh Supplemental Indenture.

"2016 Series A Bonds" shall mean the \$27,660,000 Airport Revenue Refunding Bonds, 2016 Series A (AMT) dated as of January 14, 2016, issued pursuant to the Twelfth Supplemental Indenture.

"2016 Series B Bonds" shall mean the \$26,970,000 Airport Revenue Refunding Bonds, 2016 Series B (Non AMT) dated as of January 14, 2016, issued pursuant to the Twelfth Supplemental Indenture.

"2016 Series C Bonds" shall mean the \$30,930,000 Airport Revenue Refunding Bonds, 2016 Series C (Non AMT) dated as of January 14, 2016, issued pursuant to the Twelfth Supplemental Indenture.

"2016 Airport Bond Project" shall mean the 2016 Series D Project and the 2016 Series E Project.

"2016 Series D Bonds" shall mean the \$36,885,000 Airport Revenue Bonds, 2016 Series D (Non AMT) dated as of July 1, 2016, issued pursuant to Article II of the Thirteenth Supplemental Indenture.

"2016 Series E Bonds" shall mean the \$3,445,000 Airport Revenue Bonds, 2016 Series E (Federally taxable) dated as of July 1, 2016, issued pursuant to Article II of the Thirteenth Supplemental Indenture.

"2016 Series D Debt Service Reserve Account" shall mean the Account of that name established pursuant to Section 401(d) hereof.

"2016 Series E Debt Service Reserve Account" shall have the Account of that name established pursuant to Section 401(d) hereof.

"2016 Series D Project" shall mean (A) various airport capital projects including, but not limited (i) the design, permitting, bidding and construction costs related to the extension of Runway 5 at T.F. Green Airport, including the acquisition of property, the re-alignment of a portion of Main Avenue, Warwick, Rhode Island, the relocation of Winslow Park located in Warwick, Rhode Island, the installation of an EMAS bed, the modification and/or replacement of navigational equipment, the removal of aeronautical obstructions, the demolition of miscellaneous properties, and the acquisition of residences located in the Runway Protection Zone in connection with said extension of Runway 5; (ii) the design, permitting, bidding and construction costs of triturator improvements in conformance with State and Local standards; (iii) professional and engineering services to update the Airport Master Plan and Airport Layout Plans in conformance with Federal Aviation Requirements; (iv) demolition of various Airport properties and related costs; and (v) engineering, environmental and related professional fees and expenses, construction costs in connection with the demolition of an unused terminal building at Quonset Airport and the construction of new maintenance garage located at Quonset Airport; (B) capitalized interest incurred in connection with the projects described in clause (A) above; and (C) costs related to the establishment of reserves for the 2016 Series D Project and the 2016 Series D Bonds, including a debt service reserve fund; and (D) costs related to issuance of the 2016 Series D Bonds .

"2016 Series E Project" shall mean (A) the acquisition of certain real property located at 2119 Post Road, Warwick, Rhode Island consisting of approximately 6.5 acres located near T.F. Green Airport and all fixed assets, tangible personal property, inventory, installations, trade fixtures, building equipment, fittings, furniture, office equipment and other improvements located on said property, (B) costs related to the establishment of reserves for the 2016 Series E Project and the 2016 Series E Bonds; and (C) costs related to issuance of the 2016 Series E Bonds.

“Account” shall mean any account or subaccount created in any Fund created under the Thirteenth Supplemental Indenture or under a Supplemental Indenture.

“Act” shall mean, Rhode Island General Laws § 42-64-1 et seq. as amended from time to time.

“Additional Bonds” shall mean all Bonds issued pursuant to Section 214 of the Master Indenture.

“Agreement”, “Lease Agreement” or “State Lease Agreement” shall mean the Lease and Operating Agreement, dated as of June 25, 1993, by and between the State, the Rhode Island Department of Transportation and the RIAC as amended, and as supplemented by the Settlement Agreement, as amended by the Seventh Amendment to Lease and Operating Agreement.

“Airline Agreements” or “New Airline Agreements” shall mean those certain Airport Use and Lease Agreements by and between RIAC and the Signatory Airlines relating to the use of the premises and facilities at Theodore Francis Green Airport.

“Airport Consultant” shall mean a firm or firms of national recognition experienced in matters relating to the planning, development, operation and management (including financial operations) of airports and aviation facilities, selected and employed by RIAC, from time to time.

“Airport Facility” shall mean developments consisting of runways, hangars, control towers, ramps, wharves, bulkheads, buildings, structures, parking areas, improvements, facilities, or other real or personal property necessary, convenient, or desirable for the landing, taking off, 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 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 and other landing areas whether or not on real property owned by the State, the Corporation or RIAC), or for the landing, taking off, accommodation, and servicing of aircraft owned or operated by persons other than carriers. It shall also mean facilities providing access to an Airport Facility, consisting of rail, rapid transit, or other forms of mass transportation which furnish a connection between the air terminal and other points within the State, including appropriate mass transportation terminal facilities at and within the air terminal itself and suitable off-site facilities for the accommodation of air passengers, baggage, mail, express, freight, and other users of the connecting facility. It shall also mean items necessary to implement noise abatement programs.

“Airports” shall mean the T.F. Green Airport, located in Warwick, Rhode Island, the Outlying Airports, and any other airport over which RIAC assumes ownership or operating responsibility and that RIAC designates as a part of the Airports under the Master Indenture, a Supplemental Indenture or any appropriate document.

“Amounts Available to Pay Debt Service” shall mean for any Fiscal Year of the Corporation, the Net Revenues for such Fiscal Year of the Corporation, plus Pledged PFC Revenue for such Fiscal Year of the Corporation, plus amounts transferred from the General Purpose Fund to the Revenue Fund, plus amounts, if any, received as reimbursement for previously expended money and which are used to pay debt service.

“Annual Debt Service” shall mean the amount of payments required to be made for the Principal Amount of and Interest on any specified indebtedness, including mandatory sinking fund redemptions and payments pursuant to agreements with Credit Providers with respect to such indebtedness to reimburse such Credit Providers for debt service payments made, to pay Credit Facility fees, or to pay payments due under an Interest Rate Swap scheduled to come due within a specified Fiscal Year of the Corporation or within one day thereafter and including Trustee Fees, Paying Agent Fees, Remarketing Agent Fees, if any, Authenticating Agent Fees, and Registrar Fees.

“Authenticating Agent” shall mean, with respect to each Series of Bonds, the entity or entities designated as such for such Series of Bonds in the applicable Supplemental Indenture. In the case of the 2016 D/E Bonds and the Thirteenth Supplemental Indenture, the Authenticating Agent means the Trustee.

“Authorized Representative” shall mean, with respect to the Corporation, the Chair of the Board, the Vice Chair, the Treasurer, the Secretary of Commerce, the President and COO, the CFO or the Director of Financial Services of the Corporation or such other person as may be designated to act on behalf of the Corporation by written certificate or resolution furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Corporation by the Chairman or Vice Chairman and shall mean, with respect to RIAC, the Interim President/CEO, the Chairperson, the Vice Chairperson or the Treasurer or such other person as may be designated to act on behalf of RIAC by written certificate or resolution furnished to the Trustee containing the specimen signature of such person and signed on behalf of RIAC by the President/CEO or Vice Chairman.

“Bond” or “Bonds” shall mean any airport revenue bonds or any other evidences of indebtedness for borrowed money issued from time to time pursuant to Article II of the Master Indenture and the terms of a Supplemental Indenture. The term “Bonds” shall not include Bond Anticipation Notes or other forms of short-term indebtedness.

“Bond Anticipation Notes” shall mean notes issued by the Corporation with a final maturity not longer than four (4) years (or such longer period as may be permitted by the provisions of the Act) in anticipation of the refinancing thereof from all or a portion of the proceeds of a Series of Bonds.

“Bond Counsel” shall mean an attorney or firm or firms of attorneys of national recognition, selected or employed by the Corporation and acceptable to RIAC and the Trustee, experienced in the field of municipal bonds, whose opinions are generally accepted by purchasers of municipal bonds.

“Bond Fund” shall mean the Airport Bond Fund created pursuant to Section 601(c) of the Master Indenture.

“Bond Purchase Agreement” shall mean the Bond Purchase Agreement dated June 16, 2016 among the Corporation, RIAC and Raymond James & Associates, Inc.

“Bond Year” shall mean, with respect to a Series of Bonds, the annual period with respect to such Series of Bonds set forth in the applicable Supplemental Indenture.

“Borrower” shall mean the Rhode Island Airport Corporation.

“Business Day” shall mean any day of the week other than Saturday, Sunday or a day which shall be, in the State of Rhode Island, the State of New York or in the jurisdiction in which the Corporate Trust Office of the Trustee or the principal office of the Registrar is located, a legal holiday or a day on which banking corporations are authorized or obligated by law or executive order to close.

“Capital Projects Account” shall mean the Account of that name in the General Purpose Fund created pursuant to Section 601(h) of the Master Indenture.

“Code” shall mean the Internal Revenue Code of 1986, as amended, including applicable Treasury Regulations, rulings and procedures promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

“Completion Bonds” shall mean all Bonds issued pursuant to Section 214(c) of the Master Indenture.

“Construction Fund” shall mean the Airport Construction Fund created pursuant to Section 401 of the Master Indenture.

“Construction Manager” shall mean the individual or entity designated by RIAC to act as construction manager with respect to a certain Project or Projects.

“Corporate Trust Office” shall mean the designated office of the Trustee at which its corporate trust business is conducted, which at the date hereof is located in Boston, Massachusetts.

“Corporation” shall mean the Rhode Island Commerce Corporation, formerly known as the Rhode Island Economic Development Corporation, formerly known as the Rhode Island Port Authority and Economic Development Corporation.

“RIAC” shall mean the Rhode Island Airport Corporation, a public corporation organized as a subsidiary of the Corporation pursuant to Rhode Island General Laws § 42-64-1.

“Cost” or “Project Cost”, when used with respect to an Airport Facility, shall mean, but is not necessarily limited to, 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, improvement, and the acquisition of such machinery and equipment or other personal property as may be deemed necessary in connection therewith (other than raw materials, work in process, or stock in trade); the necessary expenses incurred in connection with the initial occupancy of a Project; an allocable portion of the administrative and operating expenses of the Corporation or RIAC; the cost of financing a Project, including Capitalized Interest from the date of issuance of any Bonds to one year from the date when the Corporation or RIAC shall deem a Project substantially occupied; and the cost of such other items, including any indemnity or surety bonds and premiums on insurance, legal fees, real estate brokers and agent fees, fees and expenses of Trustees, Depositories, and Paying Agent.

“Cost of Issuance Account” shall mean, with respect to a Series of Bonds, the Account of that name in the Construction Fund created for such Series of Bonds pursuant to Section 401 of the Master Indenture.

“Counsel” shall mean an attorney or firm of attorneys qualified to pass on the particular matter and satisfactory to the Trustee.

“Credit Facility” shall mean, with respect to a Series of Bonds, the irrevocable letter of credit, line of credit, municipal bond insurance, or other form of credit enhancement or liquidity support, if any, for such Series of Bonds, provided for in the applicable Supplemental Indenture, including any alternate Credit Facility with respect to such Series of Bonds delivered in accordance with provisions of the Supplemental Indenture providing for the issuance of such Series of Bonds.

“Credit Provider” shall mean, with respect to a Series of Bonds, the provider of the Credit Facility for such Series of Bonds specified in the applicable Supplemental Indenture.

“Debt Service Reserve Fund” shall mean the Airport Debt Service Reserve Fund created pursuant to Section 601(d) of the Master Indenture.

“Debt Service Reserve Fund Requirement” shall mean with respect to a Series of Bonds, the amount designated in the Supplemental Indenture for a Series of Bonds.

“Defeasance Obligations” shall mean moneys, noncallable Government Obligations, noncallable Government Certificates or refunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in this Section, or any combination thereof.

“Demised Term” shall mean the period commencing on the Effective Date of the Lease Agreement and ending on close of business on the day prior to the thirtieth anniversary of such Effective Date.

“Depository” shall mean any national banking association, savings or savings and loan institution or trust company selected by the Corporation or RIAC and authorized by law to act as a depository of money and securities held under the provisions of the Master Indenture, and may include the Trustee.

“DTC” shall mean The Depository Trust Company, New York, New York, a securities depository, or its nominee, as registered Holder of the 2008 Bonds or its successor in that capacity.

“Effective Date” of the Lease Agreement shall mean 12:01 a.m. on July 1, 1993.

“Eighth Supplemental Indenture” shall mean the Eighth Supplemental Indenture of Trust dated June 1, 2008 between the Corporation, RIAC and the Trustee, as amended, which supplements and amends the Master Indenture.

“Eleventh Supplemental Indenture” shall mean the Eleventh Supplemental Indenture of Trust dated March 23, 2015 between the Corporation, RIAC and the Trustee, as amended, which supplements and amends the Master Indenture.

“Event of Bankruptcy” means: (i) RIAC shall commence a voluntary case under the federal bankruptcy laws, or shall become insolvent or unable to pay its debts as they become due, or shall make an assignment for the benefit of creditors, or shall apply for, consent to, or acquiesce in the appointment of, or taking possession by, a trustee, receiver, custodian or similar official or agent for itself or any substantial part of its property; (ii) a trustee, receiver, custodian or similar official or agent

shall be appointed for RIAC or for any substantial part of its property, and such trustee, receiver, custodian or similar official shall not be discharged within sixty (60) days; or (iii) to the extent permitted under applicable law, RIAC shall have an order or decree for relief in an involuntary case under the federal bankruptcy laws entered against it, or a petition seeking reorganization, readjustment, arrangement, composition, or other similar relief under the federal bankruptcy laws or any similar law for the relief of debtors shall be brought against it to the extent such proceeding shall not be discharged within sixty (60) days.

“Event of Default” under the Master Indenture shall mean any one or more of those events set forth in Section 901 of the Master Indenture, or with reference to the Loan Agreement shall mean the occurrences described in Section 8.01 thereof.

“Exempt Facilities” shall mean airports and functionally related and subordinate facilities within the meaning of and qualifying under Section 142 of the Code.

“FAA” shall mean the Federal Aviation Administration of the U.S. Department of Transportation.

“Federal AIP Grants” shall mean monies received by RIAC from the Federal Aviation Administration.

“Fifth Supplemental Indenture” shall mean this Fifth Supplemental Indenture of Trust dated October 1, 2003 among the Corporation, RIAC, and the Trustee, as amended, which supplements and amends the Master Indenture.

“First Supplemental Indenture” shall mean the First Supplemental Indenture of Trust between the Corporation, RIAC and the Trustee, which supplements and amends the Master Indenture.

“Fiscal Year of the Corporation” shall mean the fiscal year of the Corporation commencing July 1 and ending June 30 or such other period as may be designated from time to time in writing by the Corporation to the Trustee.

“Fiscal Year of RIAC” shall mean the fiscal year of RIAC commencing July 1 and ending June 30 or such other period as may be designated from time to time in writing by RIAC to the Trustee.

“Fourth Supplemental Indenture” shall mean the Fourth Supplemental Indenture of Trust dated May 1, 2000 among the Corporation, RIAC, and the Trustee, as amended, which supplements and amends the Master Indenture.

“Fund” shall mean any fund created under the Master Indenture or under a Supplemental Indenture.

“General Obligation Bond Reimbursement Account” shall mean the Account of that name in the General Purpose Fund created pursuant to Section 601(h) of the Master Indenture.

“General Purpose Fund” shall mean the Airport General Purpose Fund created pursuant to Section 601(h) of the Master Indenture.

“G.O. Bonds” shall mean the following: (i) general obligation bonds issued by the State prior to July 1, 1993 for use at the Airports, as more specifically identified by amounts and dates of issue and maturity on Exhibit A to the Lease Agreement; (ii) general obligation bonds to be issued by the State in accordance with its Capital Development Plan for purposes of paying the State’s share of a noise abatement program, as more specifically identified on Exhibit A to the Lease Agreement; (iii) \$30.325 million in Airport Improvement Bonds approved in 1988 for issue by the State for use at the Airports, of which approximately \$13.4 million principal amount thereof has been issued and is outstanding and approximately \$16.9 million principal amount thereof may be issued after June 25, 1993 (the “1988 Airport Bonds”); and (iv) any additional general obligation bonds which the State agrees to issue at RIAC’s request, the proceeds of which shall only be used by RIAC in connection with RIAC’s administration, maintenance, management, regulation, operation, improvement, development or use of the Airports.

“Governmental Facilities” shall mean facilities, no part of which is used for a “private business use” as defined in Section 141 of the Code.

“Grants in Aid” shall mean any grants in aid made or to be made for the Airport Project or for other projects relating to the Airports by the federal government or by the State (whether used to pay costs directly or to reimburse RIAC for costs incurred).

“Interest” shall mean that portion of debt service other than the Principal Amount or Redemption Premium payable with respect to any Bond.

“Interest Account” shall mean the Account of that name in the Bond Fund created pursuant to Section 601(c)(i) of the Master Indenture.

“Interest Payment Date” shall mean, with respect to each Series of Bonds, each date set forth in the applicable Supplemental Indenture with respect to such Series of Bonds on which Interest is payable. In the case of 2016 Series D/E Bonds the Interest Payment Dates shall be each January 1 and July 1 commencing July 1, 2017.

“Leased Premises” shall mean the real property shown on Exhibit C to the Lease Agreement, together with all improvements thereon and fixtures thereto, and all appurtenances, rights, privileges, easements, licenses, rights of way and rights of entry benefitting, belonging or pertaining thereto, but excluding any right, title or Interest in any property or rights, the conveyance of which would cause a reversion to or in favor of, or permit a reentry by or in favor of, any third party.

“Loan” shall mean the loan of the Bond proceeds of a Series of Bonds by the Corporation to RIAC pursuant to a Loan Agreement.

“Loan Agreement” or “Loan Agreements” shall mean, with respect to each Series of Bonds, that certain Loan Agreement by and between the Corporation and RIAC providing for the loan of Bond proceeds to RIAC and the repayment thereof by RIAC. In the case of the 2016 Series D/E Bonds, the Loan Agreement shall mean that certain Loan Agreement by and between the Corporation and RIAC dated as of July 1, 2016.

“Master Indenture” shall mean the Master Indenture of Trust dated as of October 1, 1993 among the Corporation, RIAC and the Trustee.

“Maximum Annual Debt Service” shall mean the maximum Annual Debt Service with respect to any specified indebtedness for any Fiscal Year of the Corporation during the term of such indebtedness.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, “Moody’s” shall mean any other nationally recognized Rating Agency designated by the Corporation and acceptable to the Credit Provider.

“Net Revenues” for any Fiscal Year of RIAC or other period of time shall mean Revenues for such year or period, less the amount needed for the payment of T.F. Green Operation and Maintenance Expenses for the Fiscal Year of RIAC or period.

“Ninth Supplemental Indenture” shall mean the Ninth Supplemental Indenture of Trust dated June 6, 2013 between the Corporation, RIAC and the Trustee, as amended, which supplements and amends the Master Indenture.

“Opinion of Bond Counsel” shall mean a written opinion of Bond Counsel.

“Opinion of Counsel” shall mean a written opinion of an attorney or firm or firms of attorneys acceptable to the Trustee, the Corporation, or RIAC, and who (except as otherwise expressly provided herein) may be either counsel for the Corporation, RIAC, or the Trustee.

“Outlying Airports” or “General Aviation Airports” shall mean Westerly Airport, Newport Airport, Block Island Airport, Quonset Airport, and North Central Airport.

“Outlying Airports’ Operation and Maintenance Account” shall mean the Account of that name in the General Purpose Fund created pursuant to Section 601(h) of the Master Indenture.

“Outlying Airports’ Operation and Maintenance Expenses” shall mean expenses of RIAC paid or accrued for the operation, maintenance, administration, and ordinary current repairs of the Outlying Airports, less the amount received by virtue of the operation of the Quonset Airport and applied for the purpose of meeting the reasonably foreseeable needs of Quonset Airport.

“Outstanding,” when used with reference to a Series of Bonds, shall mean, as of any date of determination, all Bonds of such Series theretofore authenticated and delivered except: (a) Bonds of such Series theretofore cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds of such Series which are deemed paid and no longer Outstanding as provided in the Master Indenture; (c) Bonds of such Series in lieu of which other Bonds of such Series have been issued pursuant to the provisions of the Master Indenture relating to Bonds mutilated, destroyed, lost or stolen, unless evidence satisfactory to the Trustee has been received that any such Bond is held by a bona fide purchaser; (d) after any tender date as may be provided for in the applicable Supplemental Indenture, any Bond of such Series held by a Bondholder who has given a tender notice or was required to tender such Bond in accordance with the provisions of the applicable Supplemental Indenture and which was not so tendered and for which sufficient funds for the payment of the purchase price of which have been deposited with the Trustee or the Paying Agent, if any, or any Remarketing Agent appointed under such Supplemental Indenture; and (e) for purposes of any consent or other action to be taken under the

Master Indenture by the Holders of a specified percentage of Principal Amount of Bonds of a Series or all Series, Bonds held by or for the account of the Corporation.

“Passenger Facility Charge” or “PFC” shall mean a charge imposed by RIAC as authorized under § 1113(e) of the Federal Aviation Act of 1958 (49 U.S.C. App. 1513(e)), and any similar charges imposed pursuant to United States Department of Transportation approval.

“Passenger Facility Charge Fund” shall mean the Fund of that name created pursuant to Section 501 of the Master Indenture.

“Paying Agent” shall mean, with respect to each Series of Bonds, the banks or trust companies, if any, and their successors designated in the applicable Supplemental Indenture as the paying agent for such Series of Bonds.

“Permitted Investments” shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Corporation’s or RIAC’s money, except as may be provided in the applicable Supplemental Indenture:

- (a) Government Obligations and Government Certificates.
- (b) Obligations issued or guaranteed by any of the following:
  - (i) Federal Home Loan Bank System;
  - (ii) Export-Import Bank of the United States;
  - (iii) Federal Financing Bank;
  - (iv) Government National Mortgage Association;
  - (v) Farmers’ Home Administration;
  - (vi) Federal Home Loan Mortgage Company;
  - (vii) Federal Housing Administration;
  - (viii) Private Export Funding Corp.;
  - (ix) Federal Farm Credit Bank; and
  - (x) Resolution Trust Corporation,

or any indebtedness issued or guaranteed by any instrumentality or agency of the United States.

(c) Pre-refunded municipal obligations rated in the highest rating category by at least two Rating Agencies and meeting 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 or Government Certificates that may be applied only to principal, premium payments and Interest of such obligations;

(iii) the principal of and Interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any state of the United States of America or the District of Columbia to the payment of which the full faith and credit of such state is pledged and that are rated in either of the two highest rating categories by at least two Rating Agencies.

(e) Direct and general short-term obligations of any state, to the payment of which the full faith and credit of such state is pledged and that are rated in the highest rating category by at least two Rating Agencies.

(f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated AAA-m by Standard & Poors issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits or interests must be (i) continuously and fully insured by FDIC, (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short term rating categories by at least two Rating Agencies, (iii) if they have a maturity longer than one year, with or issued by banks that are rated in one of the two highest rating categories by at least two Rating Agencies, or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party should have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral is to be free from all other third party liens.

(g) Eurodollar time deposits issued by a bank with a deposit rating in one of the top two short-term deposit rating categories by at least two Rating Agencies.

(h) Long-term or medium-term corporate debt guaranteed by any corporation that is rated by at least two Rating Agencies in one of their two highest rating categories.

(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 collateral subject to such agreements are 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 (“A” or better) by at least two Rating Agencies. The repurchase agreement shall be collateralized with Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition (the “Collateral”). The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued Interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(A) the third party (who shall not be the provider of the collateral) has possession of the Collateral;

(B) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

(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. Such bonds must be: fully secured by a pledge of annual contributions under a contract with the United States of America; temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or state or public agency or municipality obligations rated in the highest credit rating category by at least two Rating 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 that has been 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 parent company is, rated in the two short-term or long-term rating 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.

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

“PFC Act” shall mean § 1113(e) of the Federal Aviation Act, 49 USC App. § 1513(e).

“PFC Covenants” shall mean the covenants of RIAC originally contained in Section 502 of the First Supplemental Indenture as reaffirmed in Section 602 of the Thirteenth Supplemental Indenture.

“PFC Eligible Projects” shall mean projects of RIAC which have been approved as eligible to be paid with PFC Revenue.

“PFC Project Account” shall mean one or more Accounts created in the Passenger Facility Charge Fund in a Supplemental Indenture.

“PFC Regulations” shall mean the regulations promulgated under the PFC Act at 14 CFR Part 158. “PFC Revenue” shall mean the revenue derived from a PFC.

“PFC Supported Bonds” shall mean (i) the portion of the 2015 Series A Bonds and 2016 Series C Bonds and 2016 Series D Bonds that are PFC eligible and are to be repaid with PFC Revenues and (ii) any other Additional Bonds designated as PFC Supported Bonds.

“Pledged PFC Account” shall mean the Account created pursuant to Section 401 of the First Supplemental Indenture in the Passenger Facility Charge Fund. Pledged PFC Revenue shall be deposited in the Pledged PFC Account and shall be pledged to pay debt service on PFC Supported Bonds.

“Pledged PFC Revenue” shall mean any PFC Revenue specifically designated as such by RIAC and pledged to pay debt service on any Series of Bonds pursuant to the provisions of a Supplemental Indenture.

“Principal Account” shall mean the Account of that name in the Bond Fund created pursuant to Section 601(c)(ii) of the Master Indenture.

“Principal Amount” with respect to any Bond shall mean the stated principal thereon or such other amount payable on any Capital Appreciation Bond or Discount Bond designated the Principal Amount thereof pursuant to the applicable Supplemental Indenture.

“Principal Payment Date” shall mean each July 1 commencing July 1, 2026 for the 2016 Series D Bonds and July 1, 2017 for the 2016 Series E Bonds.

“Proceeds” means the principal amount of the 2016 Series D/E Bonds less original issue discount, if any, plus original issue premium, if any, less underwriters discount plus accrued interest on the 2016 Series D/E Bonds.

“Project Account” shall mean, with respect to a Series of Bonds, the Account of that name in the Construction Fund created for such Series of Bonds pursuant to Section 401 of the Master Indenture.

“Purchase Price” shall mean the price at which a Series of Bonds is purchased.

“Qualified Costs of Exempt Facilities” shall mean that portion of the Cost of an Airport Project which constitutes Exempt Facilities and which will be charged to the capital account of RIAC for federal income tax purposes or which would be so chargeable either with a proper election under the Code or, but for a proper election, to deduct such amount and which were paid, or are to be paid, on or after the date which is sixty (60) days prior to the date on which the Corporation or RIAC adopted a resolution or took some other official action toward the issuance of obligations to finance such Qualified Costs of Exempt Facilities.

“Qualified Costs of Governmental Facilities” shall mean that portion of the Cost of an Airport Project which constitutes Governmental Facilities and which will be charged to the capital account of RIAC for federal income tax purposes or which would be so chargeable either with a proper election under the Code or, but for a proper election, to deduct such amount and which were paid, or are to be paid, on or after the date which is sixty (60) days prior to the date on which the Corporation or RIAC adopted a resolution or took some other official action toward the issuance of obligations to finance such Qualified Costs of Governmental Facilities.

“Rate Covenant” shall mean the covenant by RIAC contained in Section 804 of the Master Indenture.

“Rating Agency” shall mean, with respect to a Series of Bonds, Moody’s, Standard & Poor’s, or Fitch, or any other nationally recognized credit rating agency designated by the Corporation, with the approval of the RIAC, the Trustee and the Credit Provider.

“Rebate Fund” shall mean the Airport Rebate Fund created by Section 601(g) of the Master Indenture.

“Rebate Requirement” shall mean the amount, if any, determined pursuant to Section 148(f) of the Code to be paid to the United States of America, with respect to the 2016 Series D/E Bonds as described in Section 601 of the Thirteenth Supplemental Indenture.

“Record Date” shall mean the fifteenth day (regardless of whether a Business Day) of the calendar month immediately preceding an Interest Payment Date.

“Redemption Account” shall mean the Account of that name in the Bond Fund created pursuant to Section 601(c)(iii) of the Master Indenture.

“Redemption Premium” shall mean with respect to any Bond or portion thereof the premium, if any, payable upon redemption thereof.

“Refunding Bonds” shall mean any Bonds authorized pursuant to Section 214(b) of the Master Indenture.

“Registrar” shall mean the entity set forth with respect to a Series of Bonds in the applicable Supplemental Indenture, serving as keeper of the Register for such Series of Bonds or with respect to the Fourth Supplemental Indenture shall mean the keeper of the Register, which shall be the Trustee.

“Reimbursement Agreement” shall mean, with respect to a Series of Bonds, any agreement or agreements in each case between a Credit Provider or Credit Providers and the Corporation and RIAC under or pursuant to a Credit Facility for such Series of Bonds is issued, and any agreement that replaces such original agreement that sets forth the obligations of the Corporation and RIAC to such Credit Provider or Credit Providers and the obligations of such Credit Provider or Credit Providers to the Corporation and RIAC.

“Repair and Rehabilitation Fund” shall mean the Repair and Rehabilitation Fund created pursuant to Section 601(e) of the Master Indenture.

“Repair and Rehabilitation Fund Requirement” shall mean an amount determined on July 1 commencing on July 1, 1997 and redetermined at least once every other year, by RIAC.

“Responsible Officer” shall mean an officer of the Trustee assigned to the Trustee’s corporate trust department, including, without limitation, any Vice-President, any Assistant Vice-President, any Trust Officer, or any other officer and also means any other officer of the Trustee to whom any corporate trust matter involving the Corporation or the RIAC is referred because of his or her knowledge of and familiarity with the particular subject.

“Revenue Fund” shall mean the Airport Revenue Fund created pursuant to Section 601(a) of the Master Indenture.

“Revenues” shall mean all income and revenues received or accrued by the Corporation or RIAC in connection with the ownership, operation or use of, or otherwise related to the Airports, including, but not limited to, (a) rentals, fees, and other charges for the use of or with respect to the Airports (subject to certain deed restrictions relating to Quonset Airport which require that revenues generated at Quonset Airport be used first to pay operation and maintenance expenses at Quonset Airport), (b) proceeds of business interruption insurance, and such other moneys designated as “Revenues” pursuant to the terms of a Supplemental Indenture; provided, however, that Revenues shall not include (A) Interest income on, and any profit realized from, the investment of moneys in any Fund or Account to the extent that such income or profit is not transferred to, or retained in, the Revenue Fund or the Bond Fund; (B) Interest income on, and any profit realized from, the investment of moneys in any fund or account funded from the proceeds of Special Facility Bonds; (C) amounts received by the Corporation or RIAC from, or in connection with, Special Facilities, unless such funds are treated as Revenues by the Corporation or RIAC; (D) grants-in-aid, donations, bequests and/or amounts received as reimbursements for previously expended money unless RIAC has lawfully elected that such grant, donation, bequest or reimbursement is to be treated as Revenues; (E) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles; (F) the proceeds of any condemnation awards; (G) the proceeds of any sale of land, buildings or equipment; (H) proceeds of a drawing under a Credit Facility; (I) PFC Revenue; (J) Bond proceeds; and (K) any other amounts which are not deemed to be Revenues in accordance with generally accepted accounting principles or which are restricted as to their use.

“Second Supplemental Indenture” shall mean the Second Supplemental Indenture of Trust between the Corporation, RIAC and the Trustee dated as of May 1, 1994.

“Series of Bonds” or “Bonds of a Series” or “Series” shall mean a series of bonds issued pursuant to the Master Indenture and the terms of a Supplemental Indenture.

“Seventh Supplemental Indenture” means the Seventh Supplemental Indenture of Trust dated June 1, 2005 among the Corporation, RIAC and the Trustee which supplements and amends the Master Indenture.

“Signatory Airlines” shall mean each airline which has executed an Airline Agreement.

“Sinking Fund Account Retirement Date” shall mean, with respect to the 2016 Series D/E, the dates specified in Section 302 of the Thirteenth Supplemental Indenture.

“Sixth Supplemental Indenture” means the Sixth Supplemental Indenture of Trust dated April 15, 2004 among the Corporation, RIAC and the Trustee which supplements and amends the Master Indenture.

“Standard & Poor’s” shall mean Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, and its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, Standard & Poor’s shall mean any other nationally recognized securities rating agency designated by the Corporation and acceptable to the Credit Provider.

“State” shall mean the State of Rhode Island and Providence Plantations.

“Supplemental Indenture” shall mean an indenture supplementing or modifying the provisions of the Master Indenture entered into by the Corporation, RIAC, and the Trustee in accordance with Article XI of the Master Indenture.

“T.F. Green Operation and Maintenance Expenses” shall mean all expenses of RIAC paid or accrued for the operation, maintenance, administration, and ordinary current repairs of T.F. Green Airport, including certain payments to the State pursuant to the Lease Agreement. T.F. Green Operation and Maintenance Expenses shall not include (a) the Principal Amount of, Redemption Premium, if any, or Interest on any Bonds; (b) any allowance for amortization or depreciation of T.F. Green Airport; (c) any other expense for which (or to the extent to which) RIAC is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) Outlying Airports’ Operation and Maintenance Expenses; or (f) any expense paid with amounts from the Repair and Rehabilitation Fund.

“T.F. Green Operation and Maintenance Fund” shall mean the T.F. Green Airport Operation and Maintenance Fund created pursuant to Section 601(b) of the Master Indenture.

“T.F. Green Operation and Maintenance Reserve Account” shall mean the Operation and Maintenance Reserve Account created in the T.F. Green Operation and Maintenance Fund pursuant to Section 601(b) of the Master Indenture.

“T.F. Green Operation and Maintenance Reserve Account Requirement” shall mean an amount equal to one-sixth (1/6th) of the amount budgeted for the then current Fiscal Year of RIAC for T.F. Green Operation and Maintenance Expenses which shall be initially funded as set forth in the Supplemental Indenture.

“T.F. Green Airport” shall mean Theodore Francis Green Airport, formerly Theodore Francis Green State Airport, including improvements and additions thereto and all other facilities relating to or otherwise used in connection therewith, including without limitation buildings, structures, terminals, parking, ground transportation facilities, roadways, land, hangars, cargo facilities, runways and taxiways, as presently existing and those that may be acquired, developed or constructed after the date hereof.

“Tenth Supplemental Indenture” shall mean the Tenth Supplemental Indenture of Trust dated December 4, 2013 between the Corporation, RIAC and the Trustee, as amended, which supplements and amends the Master Indenture.

“Third Supplemental Indenture” shall mean the Third Supplemental Indenture of Trust among the Corporation, RIAC and the Trustee dated as of June 1, 1998 which supplements and amends the Master Indenture.

“Thirteenth Supplemental Indenture” shall mean this Thirteenth Supplemental Indenture of Trust dated as of July 1, 2016 among the Corporation, RIAC and the Trustee which supplements and amends the Master Indenture.

“Transferred Property” shall mean the Leased Premises, the Personal Property and all other assets, tangible and intangible, leased or transferred by the State or RIDOT to RIAC pursuant to Articles III through VII of the Lease Agreement.

“Trustee” shall mean U.S. Bank National Association, as successor to State Street Bank and Trust Company.

“Trust Estate” shall mean:

(a) Net Revenues;

(b) Amounts on deposit from time to time in the Funds and Accounts created pursuant hereto, including the earnings thereon, subject to the provisions of the Master Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein; provided, however, that there expressly is excluded from any pledge, assignment, lien or security interest created by the Master Indenture any amount on deposit in the Construction Fund, which has been committed or encumbered to pay lawfully incurred, debts of RIAC in connection with paying the Costs of Airport Facilities, the T.F. Green Operation and Maintenance Fund, the Rebate Fund, the Passenger Facility Charge Fund, the Subordinated Indebtedness Fund, the General Purpose Fund, and the Purchase Fund, if any;

(c) The Corporation’s right, title and interest in the Loan Agreements;

(d) Any and all other property of any kind from time to time hereafter acquired by delivery or by writing specifically conveyed, pledged, assigned or transferred, as and for additional security under the Seventh Supplemental Indenture for the Bonds, by the Corporation or RIAC or by anyone on their behalf, or with their written consent in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Master Indenture, as supplemented.

“Twelfth Supplemental Indenture” shall mean the Twelfth Supplemental Indenture of Trust dated January 14, 2016 between the Corporation, RIAC and the Trustee, as amended, which supplements and amends the Master Indenture.

#### **SUMMARY OF THE MASTER INDENTURE OF TRUST**

The following summaries and statements are brief outlines of certain provisions of the Master Indenture of Trust Agreement dated as of October 1, 1993 (the “Master Indenture”). Such outline does not purport to be complete, and reference is made to the Master Indenture, copies of which are on

file and available for examination at the offices of the Corporation and the Trustee. Terms not defined herein shall have the meanings set forth in the Master Indenture.

The Master Indenture authorizes the issuance, from time to time, in one or more series, of revenue bonds by Corporation subject to the conditions set forth in the Master Indenture. The provisions and covenants of the Master Indenture are for the equal and proportionate benefit and security of the holders of all of the Outstanding Bonds issued thereunder, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank with respect to the Trust Estate without preference, priority or distinction of any of the Outstanding Bonds over any other, except as otherwise provided in the Master Indenture. The Master Indenture is a contract between the Corporation, RIAC, and the Trustee, for the benefit and security of the holders of all Bonds issued thereunder.

### **Pledge and Security**

In order to secure the payment of the Principal Amount of the Bonds and the Interest and Redemption Premium, if any, and to grant certain rights to Credit Providers, if any, and to secure the performance and observance of all of the covenants, agreements and conditions contained in the Master Indenture or in any Reimbursement Agreement, the Corporation and RIAC in the Master Indenture, have granted a security Interest in, assigned, transferred, pledged, granted and conveyed to the Trustee the Trust Estate. The Trust Estate includes:

1. Net Revenues;
2. Amounts on deposit in the Funds and Accounts created in the Master Indenture, including the earnings thereon except any amount on deposit in the Construction Fund which has been committed or encumbered to pay lawfully incurred debts of RIAC in connection with paying the Costs of Airport Facilities, the T.F. Green Operation and Maintenance Fund, the Rebate Fund, the Passenger Facility Charge Fund, the Subordinated Indebtedness Fund, and the General Purpose Fund;
3. The Corporation's right, title and Interest in the Loan Agreements;
4. All other revenues and property of any kind acquired by or specifically conveyed, pledged, assigned or transferred, as additional security for the Bonds.

### **Rate Covenant**

In the Master Indenture, RIAC covenants and agrees that it will take all lawful and available measures to fix and adjust from time to time the rentals, rates, fees and other charges for the use of the Airports calculated to be at least sufficient to produce Amounts Available to Pay Debt Service to provide for the greater of either:

1. The amounts needed for making the required deposits in the Fiscal Year of RIAC, to the Principal Accounts, the Interest Accounts, the Redemption Accounts, the Debt Service Reserve Fund, the Repair and Rehabilitation Fund, and to the extent not otherwise paid from other legally available sources, the Subordinated Indebtedness Fund; or
2. An amount not less than 125% of the aggregate Annual Debt Service with respect to Outstanding Bonds for such Fiscal Year of RIAC.

The Master Indenture provides that in any such computation there shall be excluded from Net Revenues any capital gain resulting from any sale or revaluation of Permitted Investments.

RIAC also covenants that if, upon the receipt of the audit report for a Fiscal Year of RIAC, the Amounts Available to Pay Debt Service in such Fiscal Year of RIAC are less than the amount specified in (i) or (ii) above RIAC will take all lawful and available measures to revise the schedule of rentals, rates, fees and charges for the use of the Airports so as to generate Amounts Available to Pay Debt Service in the amount specified in subsection (i) or (ii) above in the Fiscal Year of RIAC following the Fiscal Year of RIAC covered by such audit report.

In the event that Amounts Available to Pay Debt Service for any Fiscal Year of RIAC are less than the amounts specified in subsection (i) or (ii) above, but RIAC promptly has taken in the next Fiscal Year of RIAC, all available lawful measures to revise the schedule of rentals, rates, fees and charges for the use of the Airports so as to generate amounts required in the preceding paragraph, there shall be no Event of Default under the Master Indenture. Nevertheless, if after taking the measures required above to revise the schedule of rentals, rates, fees and charges for use of the Airports, Amounts Available to Pay Debt Service in the Fiscal Year of RIAC during which such adjustments are required to be made (as evidenced by the audit report for such Fiscal Year of RIAC) are still less than the amount specified in subsection (i) or (ii) above, there shall be an Event of Default under the Master Indenture.

#### **Additional Bonds, Refunding Bonds and Completion Bonds**

The Master Indenture provides that so long as the Corporation and RIAC are not in default under the Master Indenture, the Corporation may issue Bonds as Additional Bonds to finance the Terminal Project, the Airfield Related Projects and the Airline Equipment Project if one of the following requirements is met:

1. an Airport Consultant has provided to the Trustee a certificate stating that, for each of the next five (5) full Fiscal Years of RIAC following issuance of the Additional Bonds, or each full Fiscal Year of RIAC from issuance of the Additional Bonds through two full Fiscal Years of RIAC following completion of the Project or Projects financed by the Additional Bonds proposed to be issued, whichever is later, Amounts Available to Pay Debt Service are projected to be equal to at least 125% of debt service on Bonds (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of the Additional Bonds proposed to be issued); provided, however, that if Capitalized Interest on any Bonds and proposed Additional Bonds is to be applied in the last Fiscal Year of RIAC of the period described in this sentence, the Airport Consultant shall extend the test through the first full Fiscal Year of RIAC for which there is no longer Capitalized Interest, or

2. an independent certified public accountant has provided to the Trustee a certificate stating that in the most recent completed Fiscal Year of RIAC or for any consecutive twelve-month period out of the last eighteen months, Amounts Available to Pay Debt Service were not less than 125% of (A) Annual Debt Service on Bonds Outstanding in such Fiscal Year of RIAC or period (disregarding any Bonds that have been paid or discharged or will be paid or discharged immediately after the issuance of such Additional Bonds proposed to be issued), plus (B) Maximum Annual Debt Service with respect to such Additional Bonds proposed to be issued.

The Master Indenture permits the Corporation to issue Refunding Bonds if one of the above requirements for Additional Bonds is met, or the Corporation has provided to the Trustee evidence that there (i) is no increase in Maximum Annual Debt Service and (ii) the issuance of the Refunding Bonds will result in a decrease in the total debt service on all Bonds then Outstanding and being refunded.

The Master Indenture also permits the Corporation to issue Completion Bonds in order to finish a Project or a portion thereof. The aggregate Principal Amount of such Completion Bonds shall not exceed fifteen percent (15%) of the amount specified in the Supplemental Indenture in which the initial series of Bonds issued to finance such project was authorized as the total Principal Amount of any Bonds and Subordinated Indebtedness originally projected to be required to complete the funding of such Project. Prior to the issuance of Completion Bonds, the Construction Manager must provide a certificate stating (i) the total estimated cost to complete the Project and (ii) that the proceeds of the Completion Bonds will not be used for Costs related to material changes in the scope of such Project. The Financial Advisor, in reliance on the Construction Manager's Certificate, must provide a Certificate stating (i) the anticipated total Principal Amount of Bonds and Subordinated Indebtedness required to finance the Project and the Principal Amount of Completion Bonds to be issued and (ii) that the proceeds of the Completion Bonds will be sufficient to complete the Project.

### **Temporary Financing**

The Corporation may issue Bond Anticipation Notes secured on a parity as to the pledge of Net Revenues with Bonds issued under the Master Indenture provided the Corporation meets the requirements for issuing Additional Bonds and the Rate Covenant.

### **Bonds Secured Otherwise Than By The Master Indenture**

Except as may be prohibited by the Master Indenture, the Corporation may issue other bonds, notes or obligations payable from and secured by revenues other than the Trust Estate and may issue Subordinated Indebtedness and Special Facility Bonds.

### **Application of Bond Proceeds**

The Master Indenture creates and establishes an Airport Construction Fund, which contains one or more Project Accounts, a Cost of Issuance Account for each Series of Bonds and a Capitalized Interest Account for each Series of Bonds and such other accounts as may be specified in the applicable Supplemental Indenture. The proceeds of any Bonds shall be deposited into the Construction Fund in accordance with instructions in a Supplemental Indenture. The Construction Fund shall be held by the Trustee in trust for the Holders of the Bonds of such Series until the funds therein have been committed or encumbered to pay the costs of Airport Facilities. RIAC has covenanted that it shall apply the monies in the Construction Fund in accordance with the provisions of the Master Indenture and any applicable Supplemental Indenture.

Amounts remaining in any Cost of Issuance Account for a Series of Bonds shall be transferred to the applicable Project Account for such Series of Bonds in the Construction Fund and used to pay the Cost of the Airport Facilities.

Any balance remaining in any Project Account after payment or reimbursement of the Cost of Airport Facilities financed by the related Series of Bonds are completed, shall be applied (i) to eliminate

any deficiency in the related Series Account of the Debt Service Reserve Fund, (ii) for any other Cost of Airport Facilities, (iii) to the Principal Account, or (iv) to the Redemption Account, if so required by the applicable Supplemental Indenture.

## **Collection and Disposition of Revenue (Flow of Funds)**

### **Passenger Facility Charge Fund**

The Master Indenture creates and establishes a Passenger Facility Charge Fund to be held by RIAC. The Master Indenture provides that RIAC shall deposit all PFC Revenue, if any, into the Passenger Facility Charge Fund as soon as possible upon receipt. Under the Master Indenture, RIAC may, by Supplemental Indenture, create and establish one or more Pledged PFC Accounts in the Passenger Facility Charge Fund which shall be pledged pursuant to the applicable Supplemental Indenture as security for the applicable Series of Bonds. RIAC may also create and establish one or more PFC Project Accounts in the Passenger Facility Charge Fund in any resolution or Supplemental Indenture. Monies in the PFC Project Accounts shall be used to fund the Cost of Airport Facilities.

### **Revenue Fund**

The Master Indenture provides that RIAC must deposit all Revenues upon receipt, and may deposit monies from any available source, in the Revenue Fund. Amounts in the Revenue Fund shall be held by RIAC and shall be pledged to Bondholders.

On the first Business Day of each month, but in no event later than the fifth Business Day of each month, after receipt of such Revenues, RIAC shall deposit such Revenues to the following Funds or Accounts in the following order of priority except that amounts in the Coverage Account may only be withdrawn to pay T.F. Green Operation and Maintenance Expenses and debt service.

### **T.F. Green Operation and Maintenance Fund**

RIAC shall deposit to the T.F. Green Operation and Maintenance Fund, an amount which, along with amounts remaining in the T.F. Green Operation and Maintenance Fund (excluding amounts in the T.F. Green Operation and Maintenance Reserve Account), are needed to pay the T.F. Green Operation and Maintenance Expenses during the coming month. Amounts in the T.F. Green Operation and Maintenance Fund will be used to pay T.F. Green Operation and Maintenance Expenses and are not pledged to the Bondholders.

### **Bond Fund**

From monies remaining after making the required deposit to the T.F. Green Operations and Maintenance Fund, RIAC shall deposit to the applicable Interest Account in the Bond Fund, an amount, which along with amounts transferred from any Pledged PFC Account, is equal to 1/6th of the next Interest payment due after such date with respect to each Series of Bonds and to the applicable Principal Account or Redemption Account as the case may be in the Bond Fund, an amount, which along with amounts transferred from any Pledged PFC Account, is equal to 1/12th of the next Principal payment or sinking fund payment due after such date with respect to each Series of Bonds.

RIAC may use amounts in the applicable Interest, Principal or Redemption Account in the Bond Fund to reimburse the Credit Provider for amounts paid under a Credit Facility in the same proportion that such Interest, Principal or Redemption Price represents payments made to Holders of all Bonds. Amounts in the Bond Fund are pledged to the Bondholders.

#### **Debt Service Reserve Fund**

From the monies remaining after making the required deposit to the Bond Fund, RIAC shall deposit to the applicable Series Account in the Debt Service Reserve Fund with respect to each Series of Bonds, unless such provision has been amended by the applicable Supplemental Indenture, (a) one-twenty fourth (1/24th) of the amount necessary to return the amount on deposit to the Series Debt Service Reserve Requirement, if the deficiency has occurred because the Corporation, RIAC, or the Trustee has drawn upon the Account in the Debt Service Reserve Fund to pay debt service on the related Series of Bonds because there were insufficient moneys in the Bond Fund, or (b) one-sixth (1/6th) of the amount necessary to return the amount on deposit to the Series Debt Service Reserve Requirement if the deficiency has occurred because of a loss in the investment of the moneys in the Debt Service Reserve Fund. Amounts in the Debt Service Reserve Fund shall be used to pay debt service on the related Series of Bonds when monies in the Bond Fund are insufficient. Amounts in the Debt Service Reserve Fund shall be pledged only to Bondholders of the related Series of Bonds, provided, however, if provided in a Supplemental Indenture, upon the issuance of a Series of Refunding Bonds to advance refund a portion of a Series of Outstanding Bonds, amounts in the related Account of the Debt Service Reserve Fund securing the Outstanding Bonds may be pledged to the Holders of the Unrefunded Series of Outstanding Bonds and Holders of the Series of Refunding Bonds on a pooled basis.

#### **T.F. Green Operation and Maintenance Reserve Account**

From the monies available after making the required deposit to the Debt Service Reserve Fund, commencing on the first Business Day of the month following the Date of Beneficial Occupancy, RIAC shall deposit an amount equal to 1/36th of the T.F. Green Operation and Maintenance Reserve Account Requirement to the T.F. Green Operation and Maintenance Reserve Account. After the T.F. Green Operation and Maintenance Reserve Account is fully funded, a deposit shall be made only at such time as it is necessary to fund a deficiency in the T.F. Green Operation and Maintenance Reserve Fund Requirement, in the case where the deficiency has occurred because RIAC has drawn upon the T.F. Green Operation and Maintenance Reserve Account to pay T.F. Green Operation and Maintenance Expenses or because the amount budgeted to pay T.F. Green Operation and Maintenance Expenses has increased or exceeded the amount projected. Amounts in the T.F. Green Operation and Maintenance Reserve Account shall be used to pay T.F. Green Operation and Maintenance Expenses when amounts on deposit in the T.F. Green Operation and Maintenance Fund are insufficient. Amounts in the T.F. Green Operation and Maintenance Reserve Account shall not be pledged to the Bondholders.

#### **Repair and Rehabilitation Fund**

From the monies remaining after making the required deposit to the T.F. Green Operation and Maintenance Reserve Account, commencing on the first Business Day of the month following the Date of Beneficial Occupancy, RIAC shall deposit to the Repair and Rehabilitation Fund, an amount equal to 1/36th of the Repair and Rehabilitation Reserve Requirement. After the Repair and Rehabilitation Fund is fully funded RIAC shall make a deposit only at such time as it is necessary to fund a deficiency in the Repair and Rehabilitation Fund Reserve Requirement, in the case where a deficiency has occurred

because (a) RIAC has drawn upon the Repair and Rehabilitation Fund, or (b) the Repair and Rehabilitation Fund Reserve Requirement has been increased pursuant to a Supplemental Indenture or resolution of RIAC. Amounts in the Repair and Rehabilitation Fund may be used to pay the costs of emergency repair and rehabilitation to Airport Facilities and shall be pledged to the Bondholders.

#### **Subordinated Indebtedness Fund**

From monies remaining after making the required deposit to the Repair and Rehabilitation Fund, RIAC shall deposit to the Subordinated Indebtedness Fund, the amount required by any resolution securing the Subordinated Indebtedness to the extent such amounts are not paid from other legally available funds. Amounts in the Subordinated Indebtedness Fund shall not be pledged to the Bondholders under the Master Indenture.

#### **Rebate Fund**

From the monies remaining after making the required deposit to the Subordinated Indebtedness Fund, RIAC shall deposit to the Rebate Fund, the amount required by the applicable Supplemental Indenture. Amounts in the Rebate Fund shall not be pledged to the Bondholders.

#### **General Purpose Fund**

From the monies remaining after making the required deposit to the Rebate Fund, RIAC shall deposit all money remaining in the Revenue Fund to the General Purpose Fund. Amounts in the General Purpose Fund shall not be pledged to the Bondholders.

Amounts in the General Purpose Fund are available to RIAC for any lawful purpose. The General Purpose Fund contains a Capital Projects Account, a General Obligation Bond Reimbursement Account, an Outlying Airports' Operation and Maintenance Account and may contain such other Accounts as may be created pursuant to a Supplemental Indenture.

The amounts on deposit in the Capital Projects Account may be used to pay for the Cost of Airport Facilities. The amounts on deposit in the Outlying Airports' Operation and Maintenance Account must be used to pay Outlying Airports' Operation and Maintenance Expenses. The amounts on deposit in the General Obligation Bond Reimbursement Account, if any, may be transferred to the State upon the written directive of RIAC.

The above provisions concerning the General Purpose Fund may be amended by the Corporation, RIAC, and the Trustee without the consent of or notice to any Bondholder. The Corporation, RIAC and the Trustee must, however, give notice to any Credit Provider.

#### **Transfer of Excess Funds in the Bond Fund or the Debt Service Reserve Fund**

Any amounts remaining in any Account of the Bond Fund or the Debt Service Reserve Fund for a Series of Bonds, after payment of the applicable Series of Bonds and reimbursement of the Credit Provider for any drawings on or payments under any applicable Credit Facility which were used to pay Principal Amount, Redemption Premium, if any, or Interest on such Bonds, the fees and expenses of the Trustee, the Paying Agent, and all other amounts required to be paid, shall be transferred to the General Purpose Fund.

## General Covenants of the Corporation

In the Master Indenture, the Corporation has made inter alia the following covenants:

1. That it promptly will pay or cause to be paid the Principal Amount of, Redemption Premium, if any, and Interest on each Bond issued under the Master Indenture, but solely from the sources pledged to such payment or from such other sources as may lawfully be used for such payment.

2. That it will not create any pledge, lien or encumbrance upon, or permit any pledge, lien or encumbrance to be created on the Trust Estate, except for a pledge, lien or encumbrance subordinate to the pledge and lien granted hereby for the benefit of the Bonds.

3. That it will not issue any other obligations payable from Net Revenues and the Trust Estate or create any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds, unless otherwise permitted by the Master Indenture.

4. That it will deliver to the Trustee and the Bond Insurer within one hundred twenty (120) days after the close of each Fiscal Year of the Corporation, a certificate signed by an Authorized Representative stating that during such Fiscal Year of the Corporation, and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or lapse of time or both, would constitute, an Event of Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action the Corporation has taken, is taking or proposes to take with respect thereto.

5. That it faithfully will perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed.

6. That it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such additional instruments and such further acts, instruments and transfers as the Trustee reasonably may require for the better assuring, transferring, conveying, pledging, assigning and confirming the Corporation's Interest in and to the Trust Estate and all other property that is conveyed, pledged or assigned to secure or provide for the payment of the Principal Amount, Redemption Premium, if any, and Interest on the Bonds.

7. That it will not knowingly make use of the proceeds of any Series of Bonds, or permit any use of the Projects, or take any action or permit any other action to be taken with respect to the Projects, that would (i) result in the Bonds being classified as "arbitrage bonds" within the meaning of Section 148 of the Code, or (ii) affect adversely the exclusion from gross income of Interest on such Series of Bonds for federal income tax purposes and, if applicable, the non-tax preference status of such Interest for federal alternative minimum income tax purposes unless the Bonds are taxable bonds.

8. That it will not withdraw moneys from any Funds or Accounts unless specifically authorized to do so and that it will maintain its corporate existence and the corporate existence of RIAC.

## General Covenants of RIAC

In the Master Indenture, RIAC has made, inter alia the following covenants:

1. That it will not create any pledge, lien or encumbrance upon, or permit any pledge, lien or encumbrance to be created on Net Revenues except for a pledge, lien or encumbrance subordinate to the pledge and lien granted hereby for the benefit of the Bonds, provided, however, RIAC may incur capitalized lease obligations or other forms of indebtedness secured by purchase money security interests or other liens for the acquisition of equipment to be used in the ordinary course of business up to an amount in any Fiscal Year of RIAC not exceeding \$50,000, or in a total principal amount which at the time incurred does not, together with the principal amount of all other capitalized leases and purchase money indebtedness then outstanding exceed \$250,000 at any one time.

2. That it shall deliver to the Trustee, the Corporation and the Bond Insurer, within one hundred twenty (120) days after the close of each Fiscal Year of RIAC, a certificate signed by an Authorized Representative stating that during such Fiscal Year of RIAC, and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or lapse of time or both, would constitute, an Event of Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action RIAC has taken, is taking or proposes to take with respect thereto.

3. That it faithfully will perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed.

4. That it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such additional instruments and such further acts, instruments and transfers as the Trustee reasonably may require for the better assuring, transferring, conveying, pledging, assigning and confirming RIAC's Interest in and to the Net Revenues and all other property that is conveyed, pledged or assigned to secure or provide for the payment of the Principal Amount, Redemption Premium, if any, and Interest on the Bonds.

5. That it will not take, or allow any person to take, any action which would cause the administrator of the Federal Aviation Administration, Department of Transportation, or any successor to the powers and authority of such administrator, to suspend or revoke the Airports' operating certificates issued under the Federal Aviation Act of 1958, or any successor statute.

6. That it will comply with all valid acts, including the Federal Aviation Act of 1958, rules, regulations, orders and directives of any governmental, legislative, executive, administrative or judicial body applicable to the Airports unless the same shall be contested in good faith, all to the end that the Airports will remain in operation at all times.

7. That it will (a) operate and maintain T.F. Green Airport as a revenue producing enterprise in accordance with the Act, (b) make such repairs to the Airports as shall be necessary or appropriate in the prudent management thereof, (c) operate and maintain the Airports in a manner which will entitle it at all times to charge and collect fees, charges and rentals in accordance with the Airport Agreements, the Lease Agreement, or as otherwise permitted by law, and will take all

reasonable measures permitted by law to enforce prompt payment to it of such fees, charges and rentals when and as due.

8. That it will not amend or terminate the Airline Agreements in any manner which would impair the ability of RIAC to comply with the Rate Covenant.

9. That it will use its best efforts to keep the Airports open for landings and takeoffs of aircraft using facilities similar to those at the respective Airports and to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the Bonds or any other obligation secured hereby or the performance or observance of any of the covenants herein contained.

10. That it will not dispose of assets necessary to operate the Airports in the manner and at the levels of activity required to enable it to perform its covenants contained in the Master Indenture.

11. That it will at all times carry insurance or cause insurance to be carried with a responsible insurance company or companies authorized and qualified under the laws of any state of the United States of America to assume the risk thereof, covering such properties of the Airports as are customarily insured, and against loss or damage from such causes as are customarily insured against, by enterprises engaged in a similar type of business.

12. That it will maintain proper books of record and accounts, in which full and correct entries shall be made in accordance with generally accepted accounting principles, of all its business and affairs. RIAC shall have an annual audit made by independent certified public accountants of recognized standing and shall within one hundred twenty (120) days after the end of each Fiscal Year of RIAC furnish to the Trustee copies of the balance sheet of RIAC as of the end of such Fiscal Year of RIAC and complete audited financial statements of RIAC for such Fiscal Year, all in reasonable detail.

13. That it will make no use of the proceeds of any Series of Bonds, or permit any use of a Project, or take any action or permit any other action to be taken with respect to a Project, that would (i) result in the Bonds being classified as "arbitrage bonds" within the meaning of Section 148 of the Code, or (ii) affect adversely the exclusion from gross income of Interest on such Series of Bonds for federal income tax purposes and, if applicable, the non-tax preference status of such Interest for federal alternative minimum income tax purposes unless the Bonds are taxable bonds.

14. That it will prepare and adopt an annual budget in accordance with applicable law including the Act and shall submit such annual budget to the Corporation, in timely fashion. If, for any reason, RIAC is prevented or precluded from adopting an annual budget it shall nonetheless take such action as may be required to permit it to obligate and expend moneys for debt service on Outstanding Bonds and obligations and expenditures for previously authorized capital expenditures committed or encumbered, T.F. Green Operation and Maintenance Expenses and Outlying Airports' Operation and Maintenance Expenses.

15. That it will not take, or allow any person to take, any action which could cause RIAC to lose the right to receive any Grants-in-Aid.

## **Default and Remedies**

### **Events of Default**

Any of the following are defined as an “Event of Default” under the Indenture:

- (a) default in the payment of any installment of Interest on any Bond;
- (b) default in the payment of the Principal Amount of any Bond when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;
- (c) if the Corporation shall fail to observe or perform any covenant or agreement on its part under the Master Indenture, other than the Rate Covenant, for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Corporation and RIAC by the Trustee, or to the Corporation, RIAC and the Trustee by the holders of at least 25% in aggregate principal amount of Bonds Outstanding. It shall not be an Event of Default with respect to such Series as long as the Corporation has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;
- (d) if RIAC is required pursuant to the Rate Covenant to take measures to revise the schedule for rentals, rates, fees and charges for the use of the Airports and Amounts Available to Pay Debt Service in the Fiscal Year of RIAC in which such adjustments are made are less than that amount specified in the Rate Covenant;
- (e) if RIAC shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of RIAC or of any substantial part of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; and
- (f) an event of default occurs under the Loan Agreement that is not cured.

### **Remedies and Enforcement of Remedies**

In the event of default the Trustee may and, upon the written request of the Holders of not less than 25% in an aggregate Principal Amount of the Bonds of such Series, shall proceed to protect and enforce its rights and the rights of the Bondholders by such suits, actions or proceedings, as the Trustee, being advised by counsel, shall deem expedient.

### **No Acceleration**

There are no rights of acceleration with respect to the Bonds.

### **Limitation Bondholders' Rights**

No Holder of any Bond of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement or for the execution of any trust under the Seventh Supplemental Indenture or for any remedy thereunder only if (1) an Event of Default has occurred of which the Trustee is deemed to have notice, as to which a Responsible Officer has actual knowledge or as to which the Trustee has been notified in writing by the Corporation, (2) the Holders of at least 25% in aggregate Principal Amount of Bonds then Outstanding shall have made written request to the Trustee to proceed to exercise the powers granted in the Master Indenture, (3) the Bondholders shall have offered the Trustee adequate indemnity, (4) the Trustee shall have failed or refused to exercise the powers granted in the Master Indenture for a period of 60 days after receipt by it of such request and offer of indemnity and (5) during such 60-day period the Holders of a majority in aggregate Principal Amount of Bonds of such Series then Outstanding have not delivered directions inconsistent with such written request to the Trustee.

### **Application of Revenues and Other Moneys After Default**

While an Event of Default is continuing with respect to any Series of Bonds, all moneys held and received by the Trustee with respect to such Series of Bonds, shall be applied as follows: provided, however, that any money drawn under a Credit Facility, if any, and amounts held in Accounts in the Bond Fund and the Debt Service Reserve Fund shall be applied solely to pay Interest or the Principal Amount, as applicable, on the related Series of Bonds:

(a) Unless the Principal Amount of all such Outstanding Bonds shall have become due and payable:

First: To pay Interest then due on such Bonds in the order of maturity of such installments, and, if the amount available is not sufficient to pay in full any installment or installments maturing on the same date, then to pay such installment pro rata; and

Second: To pay the unpaid Principal Amounts of any such Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof) in the order of their due dates, and if the amounts available are not sufficient to pay in full all the Bonds of such Series due on any date, then to pay such amounts m rata.

(b) If the principal of all such Outstanding Bonds shall have become due and payable, to pay pro rata the Principal Amount and Interest then due and unpaid upon such Bonds without distinction between the Principal Amount and Interest.

### **Supplemental Indentures**

The Corporation, RIAC and the Trustee may, without the consent of or notice to any of the Holders, enter into one or more Supplemental Indentures for one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the Master Indenture;

(b) to correct or supplement any provision of the Master Indenture which may be inconsistent with any other provision of the Master Indenture, or to make any other provisions with

respect to matters or questions arising under the Master Indenture that shall not materially adversely affect the Interest of the Holders;

(c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) to secure additional monies or provide additional security or reserves for payment of the Bonds;

(e) to preserve the excludability of Interest on any Bonds from gross income for purpose of federal income taxes, or to change the tax covenants pursuant to an Opinion of Bond Counsel that such action will not affect adversely such excludability;

(f) to provide for the issuance of, and to set the terms and details of, each Series of Bonds under the Master Indenture, including covenants and provisions included therein which do not violate the terms of the Master Indenture;

(g) to remove the Trustee;

(h) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds and

(i) to amend the Flow of Funds as it relates to the General Purpose Fund only.

Any of the provisions of the Master Indenture may be modified or amended from time to time by the Corporation and the Trustee upon the consent of the Holders of not less than a majority in aggregate Principal Amount of the Bonds of each Series, provided that any modification or amendment will not permit (1) the extension of the stated maturity of or time for paying the Interest on any Bond or the reduction of the Principal Amount of or the redemption premium or rate of Interest payable on any Bond without the consent of the Holder of such Bond; (2) any action which would give a preference or priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or (3) a reduction in the aggregate Principal Amount of Bonds then Outstanding.

#### **GENERAL COVENANTS REGARDING PFCs**

##### **Pledge of PFCs**

The Corporation and RIAC grant a security Interest in the Pledged PFCs, for the benefit of the holders of PFC Supported Bonds. Pledged PFC Revenue is used first to pay principal and Interest on the PFC Supported Bonds on a pro rata basis. PFC Revenue other than Pledged PFC Revenue will be deposited into the PFC Project Account and used as directed by RIAC.

##### **Covenants of RIAC Regarding PFCs**

RIAC makes the following covenants with respect to PFCs (the "PFC Covenants"). The PFC covenants apply to all Bonds designated as PFC Supported Bonds:

(1) RIAC covenants that it will comply with the PFC Act, the PFC Regulations, including the assurances thereunder and the terms and conditions of the PFC approval. RIAC will not take any action or omit to take any action with respect to PFC Revenue, approved PFC projects, or otherwise if such action or omission would, pursuant to the PFC Regulations, cause the termination of RIAC's authority to impose PFCs or prevent the use of the PFC Revenue as contemplated hereunder.

(2) RIAC covenants that it will not impose any noise restriction which does not comply with the Airport Noise and Capacity Act of 1990 Publ. L. 101-508 title IX Subtitle D (the "Noise Act"). In the case of a dispute with the FAA, RIAC will suspend any restriction until the legality of the restriction is determined and will withdraw any restriction if necessary to avoid a termination of the right to impose a PFC.

(3) RIAC covenants that it will impose the PFC to the full extent authorized.

(4) RIAC covenants that it will amend PFC Revenues by project by the appropriate amount up to twenty-five (25%) percent as provided under section 158.37(a) of the PFC Regulations, if needed and eligible to be used to pay the Principal Amount of, Redemption Premium, if any, or Interest on the PFC Supported Bonds.

(4) RIAC covenants that it will, pursuant to section 158.37(b) of the PFC Regulations, seek an increase in total PFC Revenue beyond that which it may unilaterally implement, if needed and eligible to be used to pay the Principal Amount of, Redemption Premium, if any, or Interest on the Outstanding PFC Supported Bonds.

(5) RIAC covenants that it will take all action reasonably necessary to cause all collecting carriers to collect and remit to RIAC all PFC Revenue required by the PFC Regulations to be so collected and remitted to RIAC.

(6) In the event that the FAA begins proceedings to terminate RIAC's authority to impose a PFC, pursuant to section 158.85 of the PFC Regulations, through a notice of proposed termination in the Federal Register, RIAC will use its best efforts to avoid termination by (1) complying with FAA-prescribed corrective action contained in the notices; (2) contesting the FAA's proposed termination action; (3) reaching an accommodation with the FAA; or (4) any combination of the foregoing.

(7) In the event that RIAC's authority to impose a Passenger Facility Charge is ever terminated, in whole or in part, by the Federal Aviation Administration and after such termination RIAC projects that the Amounts Available to Pay Debt Service will be less than 125% of Annual Debt Service, RIAC will exercise its right under Article VI, Section (E)(1) of the Airline Agreements to increase the airline landing fees by an amount sufficient to enable Amounts Available to Pay Debt Service to equal at least 125% of Annual Debt Service.

#### **SUMMARY OF THE EIGHTH SUPPLEMENTAL INDENTURE OF TRUST**

The following summaries and statements are brief outlines of certain provisions of the Eighth Supplemental of Trust dated as of June 1, 2008 (the "Eighth Supplemental Indenture") which supplements the Master Indenture.

## **Bonds Authorized**

The Eighth Supplemental Indenture authorizes the issuance of the 2008 Bonds pursuant to Articles II and XI of the Master Indenture. The proceeds of the 2008 Bonds are being loaned by the Corporation to RIAC pursuant to the 2008 Loan Agreement to pay, among other things, the cost of the 2008 Airport Bonds Project, to refund a portion of the 2003 Series A Bonds, to finance capitalized interest, to fund the 2003 & 2008 Series Debt Service Reserve Account and to finance the cost of issuing the 2008 Bonds.

## **Security for the 2008 Bonds**

### General

The 2008 Bonds are equally and ratably secured (1) with respect to Net Revenues under the Master Indenture with any other Series of Bonds issued pursuant to Article II and IX of the Master Indenture, without preference, priority or distinction of any 2008 Bond over any other Series of Bonds, (2) with respect to certain Funds and Accounts in accordance with the provisions of the Master Indenture, (3) with respect to the remainder of the Trust Estate, (4) with respect to the 2003 & 2008 Series Debt Service Reserve Account, and (6) by a Bond Insurance Policy.

## **Creation of Accounts and Application of 2008 Bond Proceeds**

The Eighth Supplemental Indenture creates and establishes the following Accounts:

- The 2008 Series A Project Account;
- The 2008 Series B Project Account;
- The 2008 Series A Cost of Issuance Account;
- The 2008 Series A Capitalized Interest Account;
- The 2008 Series B Capitalized Interest Account;
- The 2008 Series Interest Account;
- The 2008 Series Principal Account;
- The 2008 Series Redemption Account in the Bond Fund;
- The 2003 & 2008 Series Debt Service Reserve Account in the Debt Service Reserve Fund;
- The 1998 B and 2008 C Series Debt Service Reserve Account in the Debt Service Reserve Fund; and
- The 2008 Series A Rebate Account and 2008 Series B Rebate Account in the Rebate Fund.

Upon receipt by the Corporation, all proceeds of the 2008 Bonds shall be loaned to RIAC for deposit into the Funds and Accounts as specified in the Eighth Supplemental Indenture. The monies in such Funds and Accounts will be applied in accordance with the provisions of the Eighth Supplemental Indenture.

#### Deposits to the 2008 Series A Rebate Account

At the times and in the manner required by Section 148(f) of the Code and applicable Regulations, RIAC will calculate the rebate that must be paid to the United States with respect to the 2008 Series A Bonds and 2008 Series B Bonds. If the amount of rebate with respect to the 2008 Series A Bonds and the 2008 Series B Bonds exceeds the amount, if any, on deposit in the 2008 Series Rebate Account, RIAC will transfer from any lawful source or sources, the amount of such excess so that the amount on deposit in the 2008 Series A Rebate Account or the 2008 Series B Rebate Account equals the amount necessary to make rebate payments with respect to the 2008 Series Bonds. If the amount on deposit in the 2008 Series A Rebate Account or Series B Rebate Account exceeds the amount necessary to make rebate payments with respect to the 2008 Series A Bonds and the 2008 Series B Bonds, RIAC will transfer the excess in the 2008 Series A Rebate Account or 2008 Series B Rebate Account, as applicable, to the General Purpose Fund. If, at any time, the Corporation must pay rebate to the United States with respect to any 2008 Series Bonds, the amount on deposit in the 2008 Series A Rebate Account or the 2008 Series B Rebate Account is not sufficient to make rebate payments in full, the additional amounts needed will be deposited as quickly as possible in the 2008 Series A Rebate Account or 2008 Series B Rebate Account, as applicable, from the Revenue Fund or other legally available sources.

Amounts on deposit in the 2008 Series Rebate Account of the Rebate Fund shall be held in trust by the Corporation and used (except to the extent that excess amounts may be transferred to the General Purpose Fund, as provided above) solely to make rebate payments to the United States of America with respect to the 2008 Series Bonds.

### **SUMMARY OF THE NINTH SUPPLEMENTAL INDENTURE OF TRUST**

The following summaries and statements are brief outlines of certain provisions of the Ninth Supplemental of Trust dated as of June 6, 2013 (the "Ninth Supplemental Indenture") which supplements the Master Indenture.

#### **Bonds Authorized**

The Ninth Supplemental Indenture authorized the issuance of the 2013 A Bonds pursuant to Article II of the Master Indenture. The proceeds of the 2013 ABonds were loaned by the Corporation to RIAC pursuant to the 2013 Loan Agreement to provide additional funds to RIAC, to finance a Deicer Management System, to finance capitalized interest, to fund the 2013 Series Debt Service Reserve Account, and to finance the costs of issuing the 2013 Series A Bonds.

## **Security for the 2013 Bonds**

### **General**

The 2013 A Bonds are equally and ratably secured with respect to the Trust Estate, including (i) Net Revenues, (ii) moneys and investments in certain Funds and Accounts pledged under the Indenture, including, primarily, the accounts in the Bond Fund and in the Debt Service Reserve Fund established pursuant to Section 402 hereof, and (iii) the Corporation's interest in the Loan Agreement, including the right to receive Loan Payments from RIAC.

### **Creation of Accounts and Application of 2013 A Bond Proceeds**

- (a) The 2013 Series A Interest Account;
- (b) The 2013 Series A Principal Account;
- (c) The 2013 Series A Redemption Account;
- (d) The 2013 Series A Debt Service Reserve Account; and
- (e) The 2013 Series A Rebate Account.

Upon receipt by the Corporation, all proceeds of the 2013 A Bonds were loaned to RIAC for deposit into the Funds and Accounts as specified in the Ninth Supplemental Indenture. The monies were applied in accordance with the provisions of the Ninth Supplemental Indenture.

### **SUMMARY OF THE TENTH SUPPLEMENTAL INDENTURE OF TRUST**

The following summaries and statements are brief outlines of certain provisions of the Tenth Supplemental of Trust dated as of December 4, 2013 (the "Tenth Supplemental Indenture") which supplements the Master Indenture.

### **Bonds Authorized**

The Tenth Supplemental Indenture authorized the issuance of the 2013 B/C Bonds pursuant to Article II of the Master Indenture. The proceeds of the 2013 B/C Bonds were loaned by the Corporation to RIAC pursuant to the 2013 Loan Agreement to provide additional funds to RIAC, to provide funds to RIAC to refund on a current basis the outstanding 1998 Series B Bonds and the outstanding 2003 Series A Bonds, to fund the debt service reserve fund for the 2013 Series C Bonds and to pay the costs of issuing the 2013 Series B/C Bonds.

### **Security for the 2013 B/C Bonds**

The 2013 Series B/C Bonds are equally and ratably secured with respect to the Trust Estate, including (i) Net Revenues, (ii) moneys and investments in certain Funds and Accounts pledged under the Indenture, including, (a) primarily, the accounts in the Bond Fund and in the Debt Service Reserve Fund established pursuant to Section 402 hereof, and (b) with respect to the 2013 Series C Bonds only,

the Pledged PFC Account, and (iii) the EDC's interest in the 2013 Series B/C Loan Agreement, including the right to receive Loan Payments from RIAC. The 2013 Series C Bonds are hereby designated as PFC Supported Bonds and shall have the benefit of the PFC Covenants. The 2008 Series C Bonds and the 2013 Series B Bonds shall, consistent with Section 606 of the Master Indenture, be secured on a pooled basis by the 1998 B and 2008 C Series Debt Service Reserve Account which shall be renamed the 2008C/2013B Debt Service Reserve Account. The 2013 Series C Bonds shall be secured by the 2013 C Series Debt Service Reserve Account in the Debt Service Reserve Fund.

#### **Creation of Accounts and Application of 2013 Bond Proceeds**

- (a) The 2013 Series B Cost of Issuance Account;
- (b) The 2013 Series C Cost of Issuance Account;
- (c) The 2013 Series B/C Interest Account;
- (d) The 2013 Series B/C Principal Account;
- (e) The 2013 Series B/C Redemption Account;
- (f) The 2008C/2013B Debt Service Reserve Account;
- (g) The 2013C Debt Service Reserve Account;
- (h) The 2013 Series B Rebate Account; and
- (i) 2013 Series C Rebate Account.

Upon receipt by the Corporation, all proceeds of the 2013 B/C Bonds were loaned to RIAC for deposit into the Funds and Accounts as specified in the Tenth Supplemental Indenture. The monies were applied in accordance with the provisions of the Tenth Supplemental Indenture.

#### **SUMMARY OF THE ELEVENTH SUPPLEMENTAL INDENTURE OF TRUST**

The following summaries and statements are brief outlines of certain provisions of the Eleventh Supplemental of Trust dated as of March 23, 2015 (the "Eleventh Supplemental Indenture") which supplements the Master Indenture.

#### **Bonds Authorized**

The Eleventh Supplemental Indenture authorized the issuance of the 2015 Series A Bonds pursuant to Article II of the Master Indenture. The proceeds of the 2015 Series A Bonds were loaned by the Corporation to RIAC pursuant to the 2015 Loan Agreement to provide funds to RIAC to refund on a current basis all or a portion of the outstanding 2004 Series A Bonds and to pay the costs of issuing the 2015 Series A Bonds, including, without limitation, payment of a bond insurance premium.

### **Security for the 2015 Series A Bonds**

The 2015 Series A Bonds are equally and ratably with respect to the Trust Estate, including (i) Net Revenues, (ii) moneys and investments in certain Funds and Accounts pledged under the Indenture, including the accounts established pursuant to Section 402 hereof, and the Pledged PFC Account, and (iii) Corporation's interest in the 2015 Series A Loan Agreement, including the right to receive Loan Payments from RIAC. The 2015 Series A Bonds along with the 2013 Series C Bonds are hereby designated as PFC Supported Bonds and shall have the benefit of the PFC Covenants.

### **Creation of Accounts and Application of 2008 Bond Proceeds**

- (a) The 2015 Series A Cost of Issuance Account;
- (b) The 2015 Series A Redemption Account; and
- (c) The 2015 Series A Rebate Account.

Upon receipt by the Corporation, all proceeds of the 2015 Series A Bonds were loaned to RIAC for deposit into the Funds and Accounts as specified in the Eleventh Supplemental Indenture. The monies were applied in accordance with the provisions of the Eleventh Supplemental Indenture.

### **SUMMARY OF THE TWELFTH SUPPLEMENTAL INDENTURE OF TRUST**

The following summaries and statements are brief outlines of certain provisions of the Twelfth Supplemental of Trust dated as of January 14, 2016 (the "Twelfth Supplemental Indenture") which supplements the Master Indenture.

### **Bonds Authorized**

The Twelfth Supplemental Indenture authorized the issuance of the 2016 A/B/C Bonds pursuant to Article II of the Master Indenture. The proceeds of the 2016 A/B/C Bonds were loaned by the Corporation to RIAC pursuant to the 2016 Loan Agreement in regards to 2016 Series A Bonds, together with other available moneys, to provide funds to RIAC refund on a current basis all or a portion of the outstanding 2005 Series A Bonds and to pay the costs of issuing the 2016 Series A Bonds; and in regards to the 2016 Series B Bonds, to provide funds to RIAC, together with other available moneys, to refund on a current basis all or a portion of the outstanding 2005 Series B Bonds and to pay the costs of issuing the 2016 Series B Bonds; and in regards to the 2016 Series C to provide funds to RIAC, Bonds together with other available moneys, to refund on a current basis all or a portion of the outstanding 2005 Series C Bonds and to pay the costs of issuing the 2016 Series C Bonds,

### **Security for the 2016 A/B/C Bonds**

The 2016 Series A/B/C Bonds are equally and ratably secured with respect to the Trust Estate, including (i) Net Revenues, (ii) moneys and investments in certain Funds and Accounts pledged under the Indenture, including the accounts established pursuant to Section 402 hereof, and the Pledged PFC Account with respect to the 2016 Series C Bonds, and (iii) Corporation's interest in the 2016 Series A/B/C Loan Agreement, including the right to receive Loan Payments from RIAC. The 2016 Series C Bonds along

with the Series 2015 C Bonds are designated as PFC Supported Bonds and shall have the benefit of the PFC Covenants.

#### **Creation of Accounts and Application of 2016 A/B/C Bond Proceeds**

- (a) The 2016 Series A Cost of Issuance Account;
- (b) The 2016 Series B Cost of Issuance Account;
- (c) The Series C Cost of Issuance Account;
- (d) The 2016 Series A Redemption Account;
- (e) The Series B Redemption Account;
- (f) The 2016 Series C Redemption Account;
- (g) The 2016 Series A Rebate Account;
- (h) The 2016 Series B Rebate Account; and
- (i) The 2016 Series C Rebate Account.

Upon receipt by the Corporation, all proceeds of the 2015 A/B/C Bonds were loaned to RIAC for deposit into the Funds and Accounts as specified in the Twelfth Supplemental Indenture. The monies were applied in accordance with the provisions of the Twelfth Supplemental Indenture.

#### **SUMMARY OF THE THIRTEENTH SUPPLEMENTAL INDENTURE OF TRUST**

The following summaries and statements are brief outlines of certain provisions of the Thirteenth Supplemental of Trust dated as of July 1, 2016 (the "Thirteenth Supplemental Indenture") which supplements the Master Indenture.

#### **Bonds Authorized**

The Thirteenth Supplemental Indenture authorized the issuance of the 2016 D/E Bonds pursuant to Article II of the Master Indenture. The proceeds of the 2016 D/E Bonds will be loaned by the Corporation to RIAC pursuant to the 2016 Loan Agreement to provide additional funds to RIAC to finance the 2016 Series D Project and to finance the 2016 Series E Project.

"2016 Series D Project" shall mean (A) various airport capital projects including, but not limited (i) the design, permitting, bidding and construction costs related to the extension of Runway 5 at T.F. Green Airport, including the acquisition of property, the re-alignment of a portion of Main Avenue, Warwick, Rhode Island, the relocation of Winslow Park located in Warwick, Rhode Island, the installation of an EMAS bed, the modification and/or replacement of navigational equipment, the removal of aeronautical obstructions, the demolition of miscellaneous properties, and the acquisition of residences located in the Runway Protection Zone in connection with said extension of Runway 5; (ii)

the design, permitting, bidding and construction costs of triturator improvements in conformance with State and Local standards; (iii) professional and engineering services to update the Airport Master Plan and Airport Layout Plans in conformance with Federal Aviation Requirements; (iv) demolition of various Airport properties and related costs; and (v) engineering, environmental and related professional fees and expenses, construction costs in connection with the demolition of an unused terminal building at Quonset Airport and the construction of new maintenance garage located at Quonset Airport; (B) capitalized interest incurred in connection with the projects described in clause (A) above; and (C) costs related to the establishment of reserves for the 2016 Series D Project and the 2016 Series D Bonds, including a debt service reserve fund; and (D) costs related to issuance of the 2016 Series D Bonds .

“2016 Series E Project” shall mean (A) the acquisition of certain real property located at 2119 Post Road, Warwick, Rhode Island consisting of approximately 6.5 acres located near T.F. Green Airport and all fixed assets, tangible personal property, inventory, installations, trade fixtures, building equipment, fittings, furniture, office equipment and other improvements located on said property, (B) costs related to the establishment of reserves for the 2016 Series E Project and the 2016 Series E Bonds; and (C) costs related to issuance of the 2016 Series E Bonds.

### **Security for the 2016 D/E Bonds**

The 2016 Series D/E Bonds are equally and ratably secured with respect to the Trust Estate, including (i) Net Revenues; (ii) moneys and investments in certain Funds and Accounts (including the earnings thereon) in accordance with and subject to the terms of the Master Indenture pledged under the Indenture, including, primarily, the accounts in the Bond Fund and in the Debt Service Reserve Fund established pursuant to Section 401 hereof, and with respect to the 2016 Series D Bonds, the Pledged PFC Account; (iii) the Issuer's interest in the 2016 D/E Loan Agreement, including the right to receive Loan Payments from RIAC. The 2016 Series D Bonds are hereby designated as PFC Supported Bonds and shall have the benefit of the PFC Covenants.

### **Creation of Accounts and Application of 2016 D/E Bond Proceeds**

- (a) The 2016 Series D Project Account;
- (b) The 2016 Series E Project Account;
- (c) The 2016 Series D Capitalized Interest Account;
- (d) The 2016 Series D Cost of Issuance Account;
- (e) The 2016 Series E Cost of Issuance Account;
- (f) The 2016 Series D Debt Service Reserve Account;
- (g) The 2016 Series E Debt Service Reserve Account;
- (h) The 2016 Series D Principal Account;
- (i) The 2016 Series E Principal Account;

- (f) The 2016 Series D Interest Account;
- (g) The 2016 Series E Interest Account;
- (h) The 2016 Series D Redemption Account;
- (i) The 2016 Series E Redemption Account; and
- (j) The 2016 Series D Rebate Account.

Upon receipt by the Corporation, all proceeds of the 2016 D/E Bonds were loaned to RIAC for deposit into the Funds and Accounts as specified in the Thirteenth Supplemental Indenture. The monies were applied in accordance with the provisions of the Thirteenth Supplemental Indenture.

**PROVISIONS RELATING TO BOND INSURANCE FOR THE 2008 BONDS  
AND RESERVE FUND INSURANCE POLICY FOR THE 2008 A and B SERIES BONDS**

The 2008 Bonds are insured pursuant to a financial guaranty insurance policy provided by Assured Guaranty Corp. The following provisions are applicable to the 2008 Bonds (collectively the "Assured Guaranty Insured Bonds").

**General**

Notwithstanding anything to the contrary in the Master Indenture:

Upon an Event of Default which would require the Bond Insurer to make payments under the Bond Insurance Policy, the Bond Insurer and its designated agent shall be provided with access to inspect and copy the Register.

Notice of the optional redemption of the Assured Guaranty Insured Bonds other than any notice that refers to the Assured Guaranty Insured Bonds that are to be redeemed from proceeds of a refunding bond issue or from amounts to be provided by the Bond Insurer in its discretion, may be given only if sufficient funds have been deposited with the Trustee to pay the Principal Amount, Redemption Premium, if any, and Interest on the Assured Guaranty Insured Bonds to be redeemed.

Each Debt Service Reserve Account for the Assured Guaranty Insured Bonds shall not be available for any Bonds refunding the Assured Guaranty Insured Bonds unless each Debt Service Reserve Account is funded and maintained in an amount at least equal to the combined Debt Service Reserve Requirement on any unrefunded Assured Guaranty Insured Bonds as well as on the Refunding Bonds. Investments purchased with funds on deposit in each Debt Service Reserve Account for the Assured Guaranty Insured Bonds shall have an average aggregate weighted term to maturity of not greater than five years.

The prior written consent of the Bond Insurer is a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into any Debt Service Reserve Account for the Assured Guaranty Insured Bonds.

Deficiencies in the amount on deposit in any Debt Service Reserve Account resulting from a draw therefrom as a result of a failure of RIAC to pay the Principal Amount or Interest on must be restored within one year of the valuation date.

If at any time after investment therein, an investment in any Fund or Account, other than the Subordinated Indebtedness Fund, Airport Rebate Fund or Airport General Purpose Fund (the "Excluded Funds"), ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other nonconforming investments in the Funds and Accounts, other than the Excluded Funds, exceeds ten percent (10%) of the invested funds, such investment shall be sold or liquidated, unless approval is obtained from by the Bond Insurer.

Investments of Funds and Accounts, other than the Excluded Funds, shall be valued at the market value thereof, exclusive of accrued Interest, (1) not less often than semi-annually, and (2) upon any draw upon any Debt Service Reserve Account for the Assured Guaranty Insured Bonds, however, accrued Interest may be included as part of the market valuation for investments in which accrued Interest was included in the purchase price and for which accrued Interest would be included in the selling price if the investments were sold.

RIAC shall direct the Trustee to terminate any repurchase agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repo securities, liquidate the collateral.

RIAC or the Trustee shall give notice to any provider of a repurchase or investment agreement in accordance with the terms thereof so as to receive funds thereunder with no penalty or premium paid.

RIAC or the Trustee shall, upon actual knowledge of a default under a repurchase or investment agreement or the withdrawal or suspension of either of the ratings of a repurchase or investment agreement provider or a drop in the ratings thereon below "AA" or "Aa", as appropriate, or "AAA" or "Aaa", as appropriate, in the case of a foreign bank, notify the Bond Insurer and, if so directed by the Bond Insurer, shall demand further collateralization of the agreement or termination thereof and liquidation of the collateral.

No grace period for a covenant default shall exceed 30 days, nor be extended for more than 60 days, without the prior written consent of the Bond Insurer.

The Bond Insurer shall be deemed to be the sole Holder of the Assured Guaranty Insured Bonds for the purpose of exercising any voting right or privilege or giving any notice, consent or direction or taking any other action that the Holders of the Assured Guaranty Insured Bonds are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Master Indenture.

No removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of Trustee.

The Bond Insurer shall, subject to Section 1002 of the Master Indenture, be entitled to request the Trustee to intervene in judicial proceedings that affect the Assured Guaranty Insured Bonds or the security therefor.

In the event Holders of the Assured Guaranty Insured Bonds shall consent to any modification to the Master Indenture or the Eighth Supplemental Indenture, the Bond Insurer's consent shall also be required to effectuate such insured Bondholder's consent. In such circumstance Bond Insurer consent shall not be taken into consideration in determining whether the required percentage of Bondholders' consent has been obtained.

No provision of the Master Indenture or the Eighth Supplemental Indenture expressly recognizing or granting rights in or to the Bond Insurer shall be modified without the consent of the Bond Insurer.

No amendment or supplement to the Master Indenture or the Eighth Supplemental Indenture, or any other Related Document, which does not require the consent of Bondholders on the basis that it is not to the detriment of, or does not adversely affect Bondholders, may become effective without obtaining the prior written consent of the Bond Insurer, provided, however, that this provision shall not apply to the Airline Agreement nor shall it apply to a supplement to issue Additional Bonds.

Copies of any modification or amendment to the Master Indenture or the Eighth Supplemental Indenture, or any other Related Document shall be sent by RIAC or the Trustee to Standard & Poor's Corporation, Fitch and Moody's Investors Service, Inc. at least fifteen (15) days prior to the effective date thereof.

Rights of the Bond Insurer to direct or consent to the actions of the Corporation, RIAC, Trustee or the Bondholders under the Master Indenture or the Eighth Supplemental Indenture shall be suspended during any period in which the Bond Insurer is in default in its payment obligations under the Bond Insurance Policy (except to the extent of amounts previously paid by the Bond Insurer and due and owing the Bond Insurer) and shall be of no force or effect in the event the Bond Insurance Policy is no longer in effect or the Bond Insurer asserts that the Bond Insurance Policy is not in effect or the Bond Insurer shall have provided written notice that it waives such rights.

In determining whether an Event of Default has occurred under Section 901 of the Master Indenture or Section 8.01(a)(i) of the Loan Agreement for the Assured Guaranty Insured Bonds, no effect shall be given to payments made under the Bond Insurance Policy.

The Bond Insurer shall, to the extent it makes any payment of the principal of or Interest on the Assured Guaranty Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy.

The Bond Insurer shall have the right to advance any payment required to be made by the Corporation or RIAC in order to prevent an Event of Default under the Master Indenture or the Eighth Supplemental Indenture and the Trustee shall be required to accept such advance. The party which should have made the payment shall be required to reimburse the Bond Insurer for any such advance.

The rights granted to the Bond Insurer under the Eighth Supplemental Indenture or the other Related Documents to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders, nor does such action evidence any

position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Bond Insurer.

In the event that an advance refunding is permitted for any Assured Guaranty Insured Bond (i) the Corporation shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an independent firm of nationally recognized certified public accountants (“Accountant”) verifying the sufficiency of the escrow established to pay the Assured Guaranty Insured Bonds which have been refunded in full on the maturity date (“Verification”), (ii) the escrow agreement shall provide that no (A) substitution of a Defeasance Obligation shall be permitted except with another Defeasance Obligation and upon delivery of a new Verification and (B) reinvestment of a Defeasance Obligation shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) there shall be delivered an opinion of a nationally recognized bond counsel to the effect that the bonds which have been refunded are no longer “Outstanding” under the Master Indenture; each Verification and defeasance opinion shall be addressed to the Corporation, RIAC, the Trustee, and the Bond Insurer. Bonds shall be deemed “Outstanding” under the Master Indenture and this First Supplemental Indenture unless and until they are in fact paid and retired or the above criteria is met.

Amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of the Master Indenture or the Eighth Supplemental Indenture and shall remain Outstanding and continue to be due and owing until paid by the Corporation in accordance with the Master Indenture or the Eighth Supplemental Indenture. The Master Indenture or the Eighth Supplemental Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full.

#### **Claims upon the Bond Insurance Policy and Payments by and to the Bond Insurer**

If, on the second Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date or the date to which Bond maturity has been accelerated, (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the Master Indenture or the Eighth Supplemental Indenture, moneys sufficient to pay the Principal Amount of and/or Interest on the Assured Guaranty Insured Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any)(the “Insurer’s Fiscal Agent”) of the amount of such deficiency. If, on the Business Day prior to the Payment Date, there continues to be a deficiency in the amount available to pay the principal of and/or Interest on the FSA Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay Interest on the Assured Guaranty Insured Bonds and the amount required to pay the Principal Amount on the Assured Guaranty Insured Bonds.

The Trustee shall establish a separate special purpose trust account for the benefit of the Bondholders referred to herein as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of the Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to the Bondholders in the same manner as payments of the principal of and Interest are to be made with respect to the Assured

Guaranty Insured Bonds under Sections 203 and 204 of the Master Indenture. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. However, the amount of any payment of the principal of or Interest on the Assured Guaranty Insured Bonds to be paid from the Policy Payments Account shall be noted as provided below.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses, or liabilities of the Trustee.

In the event the Assured Guaranty Insured Bonds are subject to mandatory sinking fund redemption, upon receipt of the moneys due, affected Bondholders shall surrender their bonds to the Trustee who shall authenticate and deliver to such Bondholder a new bond or bonds in an aggregate principal equal to the unredeemed portion of the bond surrendered, and upon maturity or other advancement of maturity and receipt of the moneys due, Bondholders shall surrender their bonds for cancellation. The Trustee shall designate any portion of payment of the Principal Amount of the Assured Guaranty Insured Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal of the Assured Guaranty Insured Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement bond to the Bond Insurer, registered in the name of the Bond Insurer in a principal equal to the principal amount so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement bond shall have no effect on the amount of the principal or Interest payable by the Corporation on any Assured Guaranty Insured Bond or the subrogation rights of the Bond Insurer.

Any funds remaining in the Policy Payments Account following a Payment Date or shall promptly be remitted to the Bond Insurer except for funds held for the payment of Assured Guaranty Insured Bonds.

The Trustee shall keep a complete and accurate record of all moneys deposited by the Bond Insurer into the Policy Payments Account and the allocation of such moneys to the payment of Interest on and the principal paid in respect of any Assured Guaranty Insured Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

Subject to and conditioned upon payment of any Interest or principal with respect to the Assured Guaranty Insured Bonds by or on behalf of the Bond Insurer, each Bondholder, by its purchase of FSA Insured Bonds, assigns to the Bond Insurer, but only to the extent of all payments made by the Bond Insurer, all its rights to the payment of Interest or principal on the Assured Guaranty Insured Bonds, including, without limitation, any amounts due to the Bondholders in respect of securities law violations arising from the offer and sale of the Assured Guaranty Insured Bonds, which are then due for payment. The Bond Insurer may exercise any option, vote, right, power or the like with respect to Assured Guaranty Insured Bonds to the extent it has made a payment of the principal of any Assured Guaranty Insured Bond pursuant to the Bond Insurance Policy. This assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to the Bond Insurer in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by the Bond Insurer to effectuate the purpose or provisions of this paragraph.

The Trustee shall promptly notify the Bond Insurer of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the Corporation or RIAC commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Event of Bankruptcy") and (ii) the making of any claim in connection with any Event of Bankruptcy seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of principal of, or Interest on, the Assured Guaranty Insured Bonds.

Each Bondholder, by its purchase of Assured Guaranty Insured Bonds, and the Trustee agrees that the Bond Insurer may at any time during the continuation of an Event of Bankruptcy direct all matters relating to such Event of Bankruptcy, including, without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedes or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Bond Insurer shall be subrogated to the rights of the Trustee and each Bondholder in any Event of Bankruptcy to the extent it is subrogated pursuant to the Bond Insurance Policy, including, without limitation, any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Event of Bankruptcy.

RIAC agrees to pay or reimburse the Bond Insurer for any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the Bond Insurance Policy, (ii) the administration, enforcement, defense or preservation of any rights in respect of the Master Indenture or the Eighth Supplemental Indenture, or the other Related Documents, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Corporation or RIAC or any affiliate thereof) relating to the Master Indenture or the Eighth Supplemental Indenture, or the other Related Documents, any party to the Master Indenture or the Eighth Supplemental Indenture, or the other Related Documents or the transaction contemplated by the Related Documents (the "Transaction"), or (iii) any amendment, waiver or other action with respect to, or related to, the Master Indenture or the Eighth Supplemental Indenture, or the other Related Documents whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Bond Insurer spent in connection with the actions described in clauses (ii) - (iii) above; and the Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver, or consent (which fee shall relate to the costs or expenses associated with analyzing such proposed amendment, waiver or consent, or costs resulting from unusual circumstances associated with the ongoing administration of the insurance agreement) proposed in respect of the Master Indenture or the Eighth Supplemental Indenture, or any other Related Document.

In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, RIAC agrees to pay or reimburse the Bond Insurer any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which the Bond Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Bond Insurer within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by de Master Indenture or the Eighth Supplemental Indenture, or the other Related Documents by reason of:

- (i) any omission or action (other than of or by the Bond Insurer) in connection with the offering, issuance, sale, remarketing or delivery of the Assured Guaranty Insured Bonds;
- (ii) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Corporation or RIAC in connection with any transaction arising from or relating to the Master Indenture or the Eighth Supplemental Indenture, or the other Related Documents;
- (iii) the violation by the Corporation or RIAC of any law, rule or regulation, or any judgment, order or decree applicable to it;
- (iv) the breach by the Corporation or RIAC of any representation, warranty or covenant under the Master Indenture or the Eighth Supplemental Indenture, or the other Related Documents or the occurrence, in respect of the Corporation or RIAC, under the Master Indenture or the Eighth Supplemental Indenture, or the Related Document of any "Event of Default" or any event which, with the giving of notice or lapse of time or both, would constitute any "Event of Default"; or
- (v) any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statements or the Final Official Statements applicable to the Assured Guaranty Insured Bonds or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an Official Statement and furnished by the Bond Insurer in writing expressly for use therein.

RIAC shall pay to the Bond Insurer Interest on any and all amounts as are paid under the Bond Insurance Policy and as are otherwise due to the Bond Insurer from the date paid by the Bond Insurer until payment thereof in full at the Late Payment Rate. "Late Payment Rate" shall mean a per annum rate equal to the lower of (i) three percent above the Interest rate that Morgan Guaranty Trust Company of New York ("Morgan") publicly announces from time to time as its prime lending rate ("Prime Rate"), such Interest rate to change on the effective date of each change in the announced Prime Rate and (ii) the maximum Interest rate permitted to be paid by RIAC under applicable law; provided that with respect to payments paid to and received by the Bond Insurer pursuant to its subrogation rights under this Eighth Supplemental Indenture, the amount of the Interest rate on the Assured Guaranty Insured Bonds so paid shall be subtracted from the Late Payment Rate. In the event Morgan ceases to announce its Prime Rate, the Prime Rate shall be the prime rate of such national bank as the Bond Insurer shall designate.

Payments required to be made to the Bond Insurer shall be payable solely from the Trust Estate. The obligations set forth in (g) - (i) above shall survive discharge or termination of the Master Indenture, this Eighth Supplemental, or the other Related Documents.

The Bond Insurer shall be entitled to pay the principal of or Interest on the Assured Guaranty Insured Bonds that shall become Due for Payment but shall be unpaid by reason of nonpayment by the Corporation (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Assured Guaranty Insured Bonds as a result of acceleration of the maturity thereof in accordance with

the Eighth Supplemental Indenture, whether or not the Bond Insurer has received a Notice (as defined in the Bond Insurance Policy) of Nonpayment or a claim upon the Bond Insurance Policy.

Notwithstanding the provisions of the Master Indenture relating to the definition of Permitted Investments, moneys held in any Fund or Account created herein, other than Excluded Funds, shall not be invested in securities specified in Clause (g), (h) or (o) of the definition of Permitted Investments. In addition, repurchase agreements and investment agreements must satisfy certain additional criteria set forth in the Eighth Supplemental Indenture.

#### **Provisions Related to Reserve Fund Insurance Policy for the 2008 Series A and B Bonds**

As long as the Reserve Fund Insurance Policy for the 2008 Series A and B Bonds is in effect, the following provisions shall be applicable.

(a) The Issuer shall repay any draws under the Reserve Fund Insurance Policy and pay all related reasonable expenses incurred by Assured Guaranty Corp. Interest shall accrue and be payable on such draws and expenses from the date of payment by Assured Guaranty Corp. at the Late Payment Rate. "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of Interest, publicly announced from time to time by JP Morgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JP Morgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of Interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting Interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JP Morgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as Assured Guaranty Corp. shall specify.

Repayment of draws and payment of expenses and accrued Interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to Assured Guaranty Corp. shall be credited first to Interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to Assured Guaranty Corp. on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Fund Insurance Policy.

All cash and investments in the debt service reserve fund established for the 2008 Series A and B Bonds (the "Reserve Fund") shall be transferred to the debt service fund for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and

reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund.

It is to be understood that the Issuer's obligations under the Eighth Supplemental Indenture are limited to and payable solely from amounts received from RIAC pursuant to the 2008 Loan Agreement and funds available therefore under the Eighth Supplemental Indenture.

#### **PROVISIONS RELATING TO BOND INSURANCE FOR THE 2015 BONDS**

The 2015 Series A Bonds are insured pursuant to a financial guaranty insurance policy provided by Assured Guaranty Corp. The following provisions are applicable to the 2015 Series A Bonds (collectively the "Assured Guaranty Insured Bonds").

##### **General**

Notwithstanding anything to the contrary set forth in the Master Indenture:

The Bond Insurer shall be deemed to be the sole Holder of the 2015 Series A Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the 2015 Series A Bonds insured by it are entitled to take pursuant to Article IX (pertaining to defaults and remedies) and Article X (pertaining to the Trustee) of the Master Indenture. In furtherance thereof and as a term of the Eleventh Supplemental Indenture and the 2015 Series A Bonds, the Trustee and Purchaser (and subsequent Holders) appoint the Bond Insurer as their agent and attorney-in-fact and agree that the Bond Insurer may at any time during the continuation of any proceeding by or against the Corporation or RIAC under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedes or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and the Purchaser (and subsequent Holders) delegate and assign to the Bond Insurer, to the fullest extent permitted by law, the rights of the Trustee and the Purchaser (and subsequent Holders) in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Bondholders shall expressly include mandamus.

No grace period for a covenant default shall exceed thirty (30) days or be extended for more than sixty (60) days, without the prior written consent of the Bond Insurer. No grace period shall be permitted for payment defaults.

The Bond Insurer shall be deemed a third party beneficiary of the Master Indenture and this Eleventh Supplemental Indenture.

Any amendment, supplement, modification to, or waiver of, the Master Indenture, the Eleventh Supplemental Indenture, the Loan Agreement or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondholders

or adversely affects the rights and interests of the Bond Insurer shall be subject to the prior written consent of the Bond Insurer.

The rights granted to the Bond Insurer under the Eleventh Supplemental Indenture or any other Related Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Purchaser (and subsequent Holders) and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer.

Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the 2015 Series A Bonds unless the Bond Insurer otherwise approves.

To accomplish defeasance of the 2015 Series A Bonds, RIAC shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Bond Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the 2015 Series A Bonds in full on the maturity or prepayment date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the 2015 Series A Bonds are no longer "Outstanding" under the Master Indenture and (iv) a certificate of discharge of the Trustee with respect to the 2015 Series A Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Corporation, RIAC, the Trustee, the Purchaser and the Bond Insurer. The Bond Insurer shall be provided with final drafts of the above-referenced documentation not less than five (5) Business Days prior to the funding of the escrow. 2015 Series A Bonds shall be deemed "Outstanding" under the Master Indenture unless and until they are in fact paid and retired or the above criteria are met.

Amounts paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of the Master Indenture and the Eleventh Supplemental Indenture and the 2015 Series A Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Corporation in accordance with the Master Indenture or the Eleventh Supplemental Indenture. The Master Indenture or the Eleventh Supplemental Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

Each of the Corporation, RIAC and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

## **Claims Upon the Bond Insurance Policy and Payments by and to the Bond Insurer**

If, on the third Business Day prior to the related scheduled Interest Payment Date or Principal Payment Date (“Payment Date”) there is not on deposit with the Trustee, after making all transfers and deposits required under the Master Indenture and the Eleventh Supplemental Indenture, moneys sufficient to pay the principal of and interest on the 2015 Series A Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the 2015 Series A Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the 2015 Series A Bonds and the amount required to pay principal of the 2015 Series A Bonds, confirmed in writing to the Bond Insurer and the Insurer’s Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

The Trustee shall notify, or cause the Corporation to notify, within two Business Days of making a claim on the Bond Insurance Policy, each rating agency then rating the Corporation’s outstanding bonds issued on behalf of RIAC of the making of such a claim to pay the 2015 Series A Bonds. In addition, the Trustee shall post, or cause to be posted, on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) System notice of the making a claim on the Bond Insurance Policy to pay the 2015 Series A Bonds.

The Trustee shall designate any portion of payment of principal on the 2015 Series A Bonds paid by the Bond Insurer on its books as a reduction in the principal amount of 2015 Series A Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement 2015 Series A Bond to the Bond Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee’s failure to so designate any payment or issue any replacement 2015 Series A Bond shall have no effect on the amount of principal or interest payable by the Corporation on any 2015 Series A Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any 2015 Series A Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of the Holders of the 2015 Series A Bonds referred to herein as the “Policy Payments Account” and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of the Holders of the 2015 Series A Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to the Holders of the 2015 Series A Bonds in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of 2015 Series A Bonds. It shall not be necessary for such

payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, RIAC agrees to pay to the Bond Insurer (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 2015 Series A Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. CommerceRI hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the 2015 Series A Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Bond Insurer.

The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the 2015 Series A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of RIAC to the Bond Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

RIAC shall pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses that the Bond Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under the Master Indenture, the Eleventh Supplemental Indenture or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Master Indenture, the Eleventh Supplemental Indenture or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Master Indenture, the Eleventh Supplemental Indenture or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Bond Insurer to honor its obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Master Indenture, the Eleventh Supplemental Indenture or any other Related Document.

After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Corporation or RIAC or rebate only after the payment of past due and current debt service on the 2015 Series A Bonds.

The Bond Insurer shall be entitled to pay principal or interest on the 2015 Series A Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Corporation (as such terms are defined in the Bond Insurance Policy), whether or not the Bond Insurer has received a

Notice of Nonpayment (as such terms are defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

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

The following summaries and statements are brief outlines of certain provisions of the Loan Agreement dated as of July 1, 2016.

#### **Loan by the Corporation to RIAC and Repayment of Loan**

Pursuant to the Loan Agreement, the Corporation will loan the Proceeds of the sale of the 2016 Series D/E Bonds to RIAC to (i) finance certain capital improvements, property acquisition, and modification, replacement, and/or acquisition of federal aviation and related equipment at the T.F Green Airport and the Quonset Airport; (ii) fund amounts required for the 2016 Series D/E Bonds Debt Service Reserve Requirement; (iii) fund capitalized interest on the 2016 Series D Bonds; and (iv) to pay costs of issuance related to the authorization, sale and issuance of the 2016 Series D/E Bonds.

In the Loan Agreement, RIAC agrees to pay to the Corporation as repayment of the loan of the Bond Proceeds, a sum equal to the Principal Amount of the 2016 Series D/E Bonds, together with Interest at the rates payable by the Corporation on such 2016 Series D/E Bonds and all other amounts which may be due to the Corporation in accordance with the Master Indenture and the Thirteenth Supplemental Indenture.

All payments by RIAC under the Loan Agreement are to be pledged and assigned by the Corporation to the Trustee under the Master Indenture and the Thirteenth Supplemental Indenture.

If RIAC requests the Corporation to issue Additional Bonds under the Indenture, RIAC will, if necessary, enter into an amendment to the Loan Agreement with the Corporation which will contain such provisions required by the Corporation or the Trustee for the issuance of such Additional Bonds, including without limitation the provisions required pursuant to Section 214 (Additional Bonds) of the Master Indenture.

#### **Assignment, Leasing and Selling**

The Loan Agreement prohibits RIAC from selling, leasing or otherwise disposing of the Project except as permitted by the State Lease Agreement, provided, however, RIAC may from time to time sell or otherwise dispose of any item constituting part of the Project if the item is being sold in the normal course of maintaining the Project and such sale will not materially adversely effect the security for the 2016 Series D/E Bonds, the rights of the Bondholders, or the operation of the 2016 Airport Bond Project as an Airport Facility.

In addition, RIAC may assign the Loan Agreement in whole or in part, and may sell or lease the Project as a whole or in part without obtaining the consent of the Corporation, provided that such sale, assignment or lease does not relieve RIAC from primary liability for any of its obligations under the Loan Agreement and RIAC furnishes the Corporation and the Trustee with a true and complete copy of each such agreement of assignment, sale or lease within thirty (30) days. RIAC may not assign this Agreement without obtaining the consent of any Credit Provider.

In the Loan Agreement, RIAC has the option to prepay, at any time after July 1, 2026 in full or in part at any time the unpaid amounts payable under the Loan Agreement with respect to the 2016 Series D/E Bonds, provided RIAC pays an amount sufficient to pay the unpaid Principal Amount, Interest and Redemption Premium on the 2016 D/E Bonds, and all amounts due and owing.

RIAC must give 45 days notice of its intention to prepay to the Trustee so that the Trustee may call the 2008 Bonds in full on the date specified.

### **Events of Default**

The following are Events of Default under the Loan Agreement:

- (i) any event of default under the Master Indenture or Thirteenth Supplemental Indenture;
- (ii) failure by RIAC to observe or perform any covenant, agreement or provision under the Loan Agreement; or
- (iii) an Event of Bankruptcy of RIAC.

Whenever there exists any Event of Default, the Corporation may take any action to collect the payments due or to enforce performance and observance of any obligation, agreement or covenant of RIAC under the Loan Agreement.

### **SUMMARY OF THE LEASE AND OPERATING AGREEMENT**

The following summaries and statements are brief outlines of certain provisions of the Lease and Operating Agreement between the State of Rhode Island (the "State"), the Rhode Island Department of Transportation ("RIDOT"), and the Rhode Island Airport Corporation (the "RIAC") and dated as of June 25, 1993.

#### **Demise of Leased Premises**

The State leases the Leased Premises to RIAC, and RIAC leases the Leased Premises from the State, for the Demised Term, to be used solely as provided and upon the terms and conditions set forth in the Lease Agreement.

#### **Transfer of Personal Property**

The State transfers to RIAC all of its right, title and Interest in and to the Personal Property.

#### **Transfer of Revenues, Grants in Aid and Insurance Proceeds**

The State assigns and transfers to RIAC (i) all of the State's rights to receive revenue after the Effective Date in connection with the administration, maintenance, management, regulation, operation, improvement, development or use of the Airports and the Other Air Facilities; (ii) proceeds of G.O. Bonds; (iii) funds made available by the Federal Aviation Administration or the Federal Highway Administration or any other federal or state agency pursuant to grants, awards or other funding relating to the Airports or the Other Air Facilities, and rights under any applications for any such grants, awards

or other funding; (iv) rights to all PFC revenue; and (v) proceeds of insurance resulting from casualty damage to the Transferred Property.

### **Reimbursement of Expenses**

RIAC agrees to reimburse the State and/or RIDOT for amounts expended prior to the Effective Date of the Lease Agreement on behalf of the Project or the Airports, which are eligible to be reimbursed (i) out of Grant in Aid, subject to restrictions in the Master Indenture; and (ii) out of proceeds of bonds to be issued after the Effective Date by the Rhode Island Port Authority and Economic Development Corporation and loaned to RIAC for use in connection with the Project, and not otherwise payable or paid from proceeds of the 1988 Airport Bonds or Grants in Aid.

### **Assignment of Contracts**

The State assigns to RIAC all rights of the State in, to and under those agreements, leases and other contractual obligations pertaining to the administration, maintenance, regulation, operation and use of the Airports or relating to the Project in effect on the Effective Date, and RIAC assumes liabilities thereunder which first arise after the Effective Date.

### **Assumption of Certain Liabilities**

RIAC assumes (i) liability for carrying out the terms and conditions of grant agreements or other agreements with governmental agencies providing grants, awards or other funding for the Airports, transferred to RIAC pursuant to the Agreement; (ii) responsibility for the Airport Project and for other ongoing projects and programs at the Airports, including the Capital Improvement Programs approved by the Federal Aviation Administration; and (iii) to the extent permitted by law, the State's obligation to pay up to \$275,000 to the City of Warwick for certain services which the City of Warwick provides to Green Airport.

### **Transfer of Licenses, Permits and Applications**

The State assigns and transfers to RIAC all licenses, approvals, permits, determinations, findings, awards or decisions issued prior to the Effective Date or after the Effective Date pursuant to an application pending as of the Effective Date, to the extent permitted by law.

### **Reimbursement of G.O. Bonds**

RIAC agrees to reimburse the State for principal and Interest payable to bondholders with respect to the G.O. Bonds first accruing after the Effective Date, to the extent RIAC has monies available in the General Purpose Fund created pursuant to the Indenture which are not required to pay budgeted capital improvements and operational and maintenance expenses for the Airports.

### **State and RIDOT Provisions of Services and Employees; Property Acquisition**

Upon request of RIAC, the State agrees to provide services to RIAC and to provide RIAC with personnel and related assistance, in connection with the Airports, for one year after the Effective Date generally and with respect to services, personnel and assistance relating to the Airport Project, for the

duration of the Airport Project, and RIAC agrees to reimburse the State for the direct costs of providing the same incurred after October 1, 1993.

The State also agrees to acquire additional property as RIAC deems necessary or advisable to complete the Airport Project or additional projects at the Airports, which additional property shall become part of the Leased Premises, and RIAC agrees to reimburse the State for the costs of acquiring such property.

In addition, RIAC agrees to offer employment on the Effective Date to all then active employees of the Airport Division of RIDOT and to recognize and bargain with Council 94, A.F.S.C.M.E., AFL-CIO as the deemed certified bargaining agent for employees for which Council 94 was the agent on the Effective Date.

### **Representations of the Parties**

RIAC represents and warrants to the State that: it is duly organized and validly existing; it has corporation power and authority to enter into the Agreement; it has obtained all approvals necessary; and the Agreement has been authorized, executed and delivered and constitutes a valid, enforceable obligation of RIAC.

The State and RIDOT represent and warrant to RIAC that: (i) RIDOT financial information furnished to RIAC was prepared from the books and records of the State relating to the Division of Airports in accordance with generally accepted accounting principles applicable to governmental entities and applicable financial reporting standards, and represents fairly the results of operations for RIDOT's Division of Airports; (ii) the Leased Premises constitutes all of the real property used in the operation of the Airports (other than a small area at Quonset Airport); other than as disclosed, there is no effect or condition on the Leased Premises or Interest of a third party which impairs use thereof; the Leased Premises are not being used in violation of law, nor has notice of violation been received; there is no proposed public improvement which may involve a charge being levied on the Leased Premises or any suit, claim, proceeding or investigation pending, threatened or contemplated against or adversely affecting the Leased Premises; there are no encroachments onto the Leased Premises by improvements on adjoining property or by improvements on the Leased Premises onto adjoining property which impairs in any material respect the current maintenance, use or operation of the Airports, the Leased Premises or other property or revenues of the Airports; RIDOT is in compliance in all material respects with covenants, conditions, restrictions and the like affecting the Leased Premises; (iii) the State and/or RIDOT has good and marketable title to the Leased Premises, free and clear of liens and encumbrances other than those disclosed, none of which impairs in any material respect current use of the Airports; (iv) there is no litigation pending or threatened, except as disclosed, none of which could have a material adverse effect on the Airports or operation of the Airports; neither the State nor RIDOT is in default of any court or agency order or decree affecting the Airports or the Leased Premises; (v) RIDOT and the State have furnished information regarding all of the contracts, agreements and other instruments affecting or arising from operation of the Division of Airports, each of which is in full force and effect, without material defaults thereunder; (vi) neither the State nor RIDOT is aware of material undisclosed liabilities relating to the Airports or the Leased Premises; (vii) proper amounts have been withheld and proper tax returns have been filed with respect to employees of the Division of Airports; and the State and RIDOT have complied with the Fair Labor Standards Act with respect to hours worked by and payments made to such employees; (viii) all material assets used in conducting operations at the Airports are included within the assets being transferred to RIAC, other than those acquired without FAA

funds which have been used by the State or RIDOT in providing internal administrative services to its divisions, including RIDOT's Division of Airports; (ix) the State and RIDOT have the power and authority to enter into the Agreement and perform their obligations thereunder; the Agreement has been duly authorized, executed and delivered by the State and RIDOT and constitutes a valid and binding obligation of the State and RIDOT; no governmental action not taken is necessary to approve the Agreement; the State and RIDOT have the right to transfer the contracts, licenses, permits and other authorizations being transferred to RIAC to enable RIAC to assume RIDOT's responsibilities for the Airports; the execution and delivery of the Agreement by the State and RIDOT, and their performance of their obligations thereunder, will not breach their contracts, agreements, licenses, permits or other approvals or violate applicable laws, rules or regulations relating to the Leased Premises, the Transferred Property, the Airports or the regulations relating to the Other Air Facilities.

### **Covenants of the Parties**

RIAC covenants not to sell, pledge or assign any part of the Leased Premises except as permitted in the Agreement; to use its revenues exclusively for the benefit of the Airports and as required under the Indenture and agreements governing use of Grants in Aid; to maintain, operate and use the Airports in compliance with applicable laws, rules and regulations; to establish a system of accounting and furnish the State with annual and quarterly financial statements prepared in accordance with governmental accounting and financial reporting standards prescribed by the Governmental Accounting Standards Board; to obtain all risk casualty and public liability insurance with respect to the Airports and the Other Air Facilities and have the State named as an additional insured on the policies of such insurance.

The State covenants (i) not to sell, transfer or otherwise dispose of the Leased Premises without the consent of RIAC and the Federal Aviation Administration; (ii) to take all reasonable action necessary to cure any defects in title to the Leased Premises; (iii) to grant licenses, easements or rights-of-way to third parties as requested by RIAC with respect to the Leased Premises; (iv) to assist RIAC in establishing legally enforceable rules and regulations necessary or appropriate to the proper and efficient operation of the Airports and the Other Air Facilities; and (v) not to take any action to alter, limit or impair the rights and powers of RIAC to fulfill the terms of the Indenture, or the rights or remedies of holders of the bonds issued pursuant to the Indenture.

Both parties covenant to perform all acts necessary or desirable to insure that Interest on the Bonds is excluded from federal and state income tax; and to use their best efforts to consummate the transactions contemplated by the Agreement.

### **Events of Default of RIAC**

If RIAC shall breach the Agreement and fails to cure such breach within a reasonable time after notice is received, the State has as its sole remedy the right to bring an action in a Rhode Island court, seeking specific performance of such breached obligation. In the event RIAC fails to carry out any court-ordered performance, provided no Bonds are outstanding, the State shall have the right to terminate the Agreement and resume responsibility for the Airports.

## **Indemnification**

To the extent permitted by law, the State agrees to indemnify RIAC and its directors, officers, employees and agents, and defend each of them, against (i) all liability and responsibility not assumed by RIAC under the Agreement; (ii) any liability for fines, penalties or other amounts assessed against RIAC which result from the State's failure to comply with applicable laws, rules and regulations; (iii) any losses, damages, liability and expenses incurred by RIAC based upon its misrepresentation or omission of facts in the Agreement or any document delivered pursuant to the Agreement or in connection with the Bonds; and (iv) any liability of RIAC arising from the State's actions in entering into the Agreement; the foregoing indemnification shall not cover losses, damages, liabilities or expenses of any party seeking indemnification which are incurred by reason of or result from the gross negligence or willful misconduct of that party.

To the extent permitted by law, RIAC agrees to indemnify the State and its directors, officers, employees and agents, and defend each of them, from and against (i) any liability and responsibility of the State assumed by RIAC under the Agreement; (ii) any liability for fines, penalties or other amounts assessed against the State which result from RIAC's failure to comply with applicable laws, rules and regulations; (iii) any losses, damages, liability and expenses incurred by the State based upon its misrepresentation or omission of facts in the Agreement or any documents delivered pursuant to the Agreement or in connection with the Bonds; and (iv) any liability of the State arising from RIAC's actions in entering into the Agreement; provided that the foregoing indemnification shall not cover losses, damages, liabilities or expenses of any party seeking indemnification which are incurred by reason of or as a result of the gross negligence or willful misconduct of that party.

The foregoing indemnification obligations of the State remain in effect until the expiration of the period stated in the statute of limitations applicable to such claim for indemnification with respect to environmental matters and in other matters, for three years after the Effective Date. The State agrees that its indemnification obligation shall not be affected by the State's immunity from suit or prosecution, if any; the State waives any right to claim immunity from suit and agrees not to assert or claim immunity as a defense to enforcement of its indemnity obligations under the Agreement.

The Attorney General of the State shall conduct the defense of all claims, actions or proceedings with respect to which a party is seeking indemnification, unless he or she determine that a conflict of Interest exists as between the State and an indemnified party, in which case the indemnifying party shall retain other counsel for the indemnified party.

## **No Personal Liability**

Nothing in the Agreement, nor any act of a party to the Agreement shall give rise to personal liability on the part of any director, officer or employee of RIAC or any official, officer or employee of the State.

## **No State Indebtedness**

Nothing in the Agreement creates any liability of the State with respect to the Bonds.

## **Indenture to be Controlling**

In the event of a conflict between the terms of the Indenture and the Agreement, the terms of the Indenture shall be controlling.

## **Approval or Consent by the State**

Whenever the State's consent or approval is required, the State agrees that such consent or approval shall not be unreasonably withheld and shall be given in accordance with State law.

## **SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE AGREEMENTS**

The following is a summary of certain provisions of the Airline Operating Agreement and Terminal Building Lease (the "Airline Agreement"), to which reference is made for a complete statement of its provisions and contents. Certain words and terms used in this summary are defined in the Airline Agreement and have the same meanings in this summary, except as defined otherwise in this Official Statement. The Airline Agreement signed by each of the Signatory Airlines is substantially identical except for provisions relating to the Leased Premises and assigned aircraft parking positions for each Signatory Airline.

### **Term**

The Airline Agreement between RIAC and the airlines serving the Airport dated July 1, 2010 was amended by a First Amendment dated July 1, 2015 which, among other provisions, provides for an extended term of the Airline Agreement through June 30, 2020, subject to earlier termination as provided for in the Airline Agreement.

### **Billing of Airline Fees and Charges**

#### **Terminal Rentals; Apron Rentals**

On the first day of each month, each Signatory Airline must pay one-twelfth (1/12<sup>th</sup>) of its annual Terminal Rental for its Preferential Use and Exclusive Use Premises in the Terminal and its 20% share of the Joint Use Space, in advance without notice. The rentals for Joint Use Space are prorated monthly among each Signatory Airline. Each Signatory Airline must pay within thirty (30) days of receipt of an invoice by RIAC for the 80% share of Joint Space fees. In addition, each Signatory Airline must pay to RIAC one-twelfth (1/12<sup>th</sup>) of its annual Apron Rentals on the first day of each month in advance without notice.

#### **Landing Fees**

By the 10th day of each month the Signatory Airlines must transmit to RIAC a statement of their aircraft landed weight and number of enplaned passengers at the Airport during the preceding month. By the 15<sup>th</sup> day of each month, the Signatory Airline must pay the Landing Rate Fee.

### Calculation of Airline Fees and Charges

Forty-five (45) days prior to the start of the Fiscal Year, RIAC will provide Signatory Airlines with preliminary calculation of the Terminal Rental Rates, Apron Rental Rate, and Landing Rate Fee. The Terminal Rental Rates are calculated by dividing the Terminal Requirement by the total Leasable Space. The Landing Fee Rate is calculated by dividing the Net Airfield Requirement by the composite estimate of the Total Landed Weight of all Air Transportation Companies at the Airport for the succeeding Fiscal year, as projected by RIAC. The Apron Rental Rate is adjusted annually by dividing five (5%) of the Airfield Requirement by the square footage of Apron leased by Signatory Airlines.

Non-Signatory Airline rates are 125% of the Terminal Rental Rates, Apron Rental Rates and Landing Fee Rates of the Signatory Airlines.

### Extraordinary Coverage Protection

RIAC shall generate sufficient Revenues to meet the requirements of the Rate Covenant in the Bond Documents. If RIAC estimates that it will not meet the requirements of the Rate Covenant in the Bond Documents during any Fiscal Year of the Term of the Airline Agreement, RIAC may adjust the Terminal Rental Rate, Landing Fee Rate, and/or Apron Rental Rate to meet such requirements, upon thirty (30) days prior written notice to each Signatory Airline. RIAC will deposit and retain such Extraordinary Coverage Protection payments in the Coverage Account only to the extent necessary to meet requirements of the Rate Covenant in the Bond Documents. Excess Extraordinary Coverage Protection payments shall be credited back to the Signatory Airlines in proportion to the amounts paid by each Signatory Airline.

### Mid-Year Adjustments

RIAC may make mid-year make adjustments to Landing Fees, Terminal Rental Rentals and April Rentals if the rentals for any quarter vary by more than five percent (5%) from the projected total Landing Fees, Terminal Rentals, and Apron Rentals for such quarter. RIAC will notify Signatory Airlines at least thirty (30) days prior to the implementation of a mid-year adjustment of the Terminal Rental Rate, Landing Fee Rate, of Apron Rental Rate, which adjustment may be applicable for the balance of the Fiscal Year of RIAC.

### Budget vs. Actual Reconciliation

If an Annual Budget has not been adopted by RIAC by the first day of the Fiscal Year, the rates in effect during the preceding Fiscal Year will remain in effect until a new Annual Budget has been adopted and new rates calculated.

Within ninety (90) days after the completion of RIAC's annual audited financial statements, RIAC will retroactively adjust the landing fees paid by the Signatory Airlines for such Fiscal Year to reflect actual aircraft landed weight at the Airport for such Fiscal Year. Each Signatory Airline is entitled to a credit for amounts paid in excess of those established in the final calculation and is obligated to pay any deficiency to RIAC in a lump sum.

### No Offset or Deductions

The Airline fees and charges in Article 6 of the Airline Agreement shall be paid to RIAC without deduction or set-off.

### **Accommodation of Requesting Air Transportation Companies**

RIAC may accommodate requests from Airlines that request preferential gate use. Any airlines requesting preferential gate use must follow the procedure outlined in the Airline Agreement. Any accommodations made by RIAC may be subject to reasonable rentals, fees and charges.

### **Grant of Rights; Obligations of RIAC and Signatory Airlines**

Each Signatory Airline is granted the right to operate its air transportation business at the Airport, and to perform all operations and functions incidental, necessary or proper thereto. RIAC has agreed not to enter into any lease, contract or other agreement with any other certificated air carrier providing service at the Airport which contains any rights, privileges, rates or charges more favorable to such air carrier than the rights, privileges, rates and charges payable by the Signatory Airlines unless RIAC also makes those more favorable terms available to the Signatory Airlines.

Each of the Signatory Airlines and RIAC have certain specified obligations with respect to the maintenance and operation of the Airport. The Signatory Airlines and RIAC also have certain specified insurance obligations with respect to the Airport.

### **Sublease and Assignment**

The Signatory Airline shall not assign, transfer, convey, sell, mortgage, pledge or encumber the Airline Agreement or any part thereof in any manner whatsoever or sublet the Premises or any part thereof or any of the rights granted in the Airline Agreement without the prior written approval of RIAC; provided, however, the Signatory Airline shall have the right to assign all or any part of its rights and interests under the Airline Agreement to any Affiliate, or any successor to its business through merger, consolidation, voluntary sale, or transfer of substantially all of its assets, and the approval of RIAC thereto shall not be required, but due notice of any such assignments shall be given to RIAC within thirty (30) days after such assignment.

### **Passenger Facility Charges**

RIAC may charge a Passenger Facility Charge ("PFC"), as permitted by law. Each Signatory Airline must collect any assessed PFC on behalf of RIAC and remit such fees to RIAC in accordance with the requirements of 14 CFR Part 158. Pending remittance to RIAC, any collected PFCs shall be held in trust for the benefit of RIAC. RIAC has the right to use any PFC revenue collected in any lawful manner.

### **Bond Documents**

#### Internal Revenue Code of 1986

The Signatory Airlines have agreed to cooperate with RIAC in meeting the requirements of Airport Bonds issued for the benefit of the Airport. The Signatory Airline agrees that so long as the Bonds

are outstanding, the Bond Documents shall govern in the event there is a conflict between the Airline Agreement and the Bond Documents. This includes using Airport Premises in such a manner to ensure that no actions of the Airline may cause RIAC to be in non-compliance with the provisions of the Internal Revenue Code of 1986 such that interest on its Bonds will become includable in the gross income of the holders of Bonds for Federal income tax purposes.

#### SEC Rule 15c2-12

Upon RIAC's written request, each Signatory Airline shall provide RIAC with such information with respect to the Signatory Airline as RIAC may require in writing in order for RIAC to comply with its continuing disclosure obligations under Securities and Exchange Commission Rule 15c2-12, as it may be amended from time to time.

#### Application of Revenues

All revenues must be deposited, maintained and paid as set forth in Airport Bond Documents, as required by Section 10.04 of the Airline Agreement.

The Airline Agreement incorporates an Airline Net Revenue Sharing methodology for Signatory Airlines. Distribution of each Signatory Airline's portion of the revenue-sharing is based on enplanements. Under this process, RIAC retains the first \$1 million and the Signatory Airlines share the next \$600,000. If there are remaining funds after the \$1.6 million, the Signatory Airlines share 40% and RIAC retains 60%.

#### **Damage or Destruction, Insurance, Indemnification, and Release of Liability**

In the event of damage or destruction of any portion of the Exclusive, Preferential and Joint Use Premises, RIAC will notify the Airline if repairs are to be made within sixty (60) days. Repairs will be made as promptly as possible and RIAC will make an effort to provide the Airline with temporary substitute space. If RIAC elects not to repair damaged space, it will make its best effort to provide the Airline with replacement space.

Each Signatory Airline will maintain the levels of liability and other insurance required by Section 12.02 of the Airport Agreement. In addition, each Airline agrees fully to indemnify RIAC and release RIAC from all liability, as set forth more fully in the Sections 12.03 and 12.04 of the Airline Agreement. The minimum amounts of insurance required by the Airline Agreement do not in any limit or modify the Signatory Airline's obligation to indemnify RIAC.

Each Signatory Airline must provide RIAC with satisfactory certificates of insurance evidencing coverage as required by the Airline Agreement. Each Signatory Airline is responsible for any additional costs to RIAC resulting from its failure to obtain and maintain the required insurance.

#### **Default and Termination**

RIAC may terminate a Signatory Airline's Airport Agreement upon the happening of certain events of default, and the expiration of any cure period as described in the Airport Agreement. The

following, among others, are defined as events of default of the Signatory Airline: (1) the failure of a Signatory Airline to pay any Airline Rental and Fee Payments within fifteen (15) days after notice of default; (2) the failure by a Signatory Airline to cure its default in the performance of any covenant or agreement in the Airport Agreement upon thirty (30) days' notice of such default or if impossible to cure within such time or a reasonable period of time is allowed; (3) the cessation by a Signatory Airline of its air transportation business at the Airport for a period of thirty (30) consecutive days unless such cessation is directly attributable to circumstances that are not within the Signatory Airline's control; (4) the insolvency, receivership or bankruptcy, dissolution or like event of a Signatory Airline; (5) the failure by a Signatory Airline to comply with environmental regulations in accordance with Section 14.03 of the Airline Agreement; or (6) the failure of a Signatory Airline to maintain the minimum insurance levels required in Section 12.02 of the Airline Agreement

**Appendix D – Form of Opinion of Bond Counsel**

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July 1, 2016

Rhode Island Commerce Corporation  
315 Iron Horse Way, Suite 101  
Providence, Rhode Island 02908

Re: \$36,885,000 Rhode Island Commerce Corporation Airport Revenue Bonds,  
2016 Series D (Non-AMT)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Rhode Island Commerce Corporation (the "Corporation") of its \$36,885,000 Airport Revenue Bonds, 2016 Series D (Non-AMT) dated July 1, 2016 (the "2016 Series D Bonds"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The 2016 Series D Bonds are issued pursuant to the Rhode Island Commerce Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"), a Master Indenture of Trust dated as of October 1, 1993 among the Corporation, the Rhode Island Airport Corporation, a public corporation organized as a subsidiary of the Corporation ("RIAC"), and U.S. Bank National Association, as trustee, (the "Trustee") (the "Master Indenture") and a Thirteenth Supplemental Indenture of Trust dated as of July 1, 2016 by and among the Corporation, RIAC, and the Trustee (the "Thirteenth Supplemental Indenture"). The Master Indenture as so supplemented is referred to herein as the "Indenture". The proceeds of the 2016 Series D Bonds will be loaned by the Corporation to RIAC pursuant to a Loan Agreement between the Corporation and RIAC dated as of July 1, 2016 (the "Loan Agreement"). Under the Loan Agreement, RIAC has agreed to make payments to be used to pay when due the Principal Amount of, Redemption Premium, if any, and Interest on the 2016 Series D Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Corporation and RIAC contained in the Indenture, the Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Corporation and RIAC, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of opinion that, under existing law:

1. The Corporation is duly created and validly existing as a public body corporate and agency of the State of Rhode Island and Providence Plantations (the "State") with the corporate power to enter into and perform the obligations under the Loan Agreement and the Indenture and to issue the 2016 Series D Bonds.

2. The Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Corporation and are valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms.

3. The Indenture creates a valid lien on the Net Revenues for the security of the 2016 Series D Bonds on a parity with other bonds issued or to be issued under the Master Indenture and on amounts on deposit in the Funds and Accounts created pursuant to the Indenture, including the earnings thereon (except for amounts on deposit in the Construction Fund, the T.F. Green Operation and Maintenance Fund, the Rebate Fund, the Passenger Facility Charge Fund, the Subordinated Indebtedness Fund, the General Purpose Fund and the Purchase Fund, if any), the Corporation's right, title and interest in the Loan Agreement and any and all other revenues and property specifically pledged as additional security for the 2016 Series D Bonds.

4. The 2016 Series D Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding special and limited obligations of the Corporation payable as described in the Indenture.

5. The interest on the 2016 Series D Bonds is excludable from gross income for federal income tax purposes, except during any period during which a 2016 Series D Bond is held by a "substantial user" of the 2016 Airport Bonds Project or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended, (the "Code"). It should be noted, however, that interest on the 2016 Series D Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. For purposes of this opinion, interest includes original issue discount properly allocable to a Holder of the 2016 Series D Bonds. In addition to the foregoing exceptions, the opinion set forth in the first sentence of this paragraph is subject to the condition that the Corporation, RIAC and the State of Rhode Island comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2016 Series D Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes, including, but not limited to, those provisions relating to the use, expenditure and investment of the proceeds of the 2016 Series D Bonds and certain other amounts and to the making of payments to the United States. The Corporation and RIAC have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the 2016 Series D Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the 2016 Series D Bonds. We express no opinion regarding other federal tax consequences arising with respect to the 2016 Series D Bonds.

6. The 2016 Series D Bonds and the interest thereon are free from Rhode Island taxes, except for estate, inheritance and gift taxes.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary or Final Official Statement or other offering material relating to the 2016 Series D Bonds and we express no opinion relating thereto in this opinion, however, we do make reference to our Supplemental Opinion of even date herewith.

It is to be understood that the rights of the Holders of the 2016 Series D Bonds and the enforceability of the 2016 Series D Bonds, the Indenture, and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur.

Very truly yours,

Mack Law Associates LLC

July 1, 2016

Rhode Island Commerce Corporation  
315 Iron Horse Way, Suite 101  
Providence, Rhode Island 02908

Re: \$3,445,000 Rhode Island Commerce Corporation Airport Revenue Bonds,  
2016 Series E (Federally Taxable)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Rhode Island Commerce Corporation (the "Corporation") of its \$3,445,000 Airport Revenue Bonds, 2016 Series E (Federally Taxable) dated July 1, 2016 (the "2016 Series E Bonds"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

The 2016 Series E Bonds are issued pursuant to the Rhode Island Commerce Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Act"), a Master Indenture of Trust dated as of October 1, 1993 among the Corporation, the Rhode Island Airport Corporation, a public corporation organized as a subsidiary of the Corporation ("RIAC"), and U.S. Bank National Association, as trustee, (the "Trustee") (the "Master Indenture") and a Thirteenth Supplemental Indenture of Trust dated as of July 1, 2016 by and among the Corporation, RIAC, and the Trustee (the "Thirteenth Supplemental Indenture"). The Master Indenture as so supplemented is referred to herein as the "Indenture". The proceeds of the 2016 Series E Bonds will be loaned by the Corporation to RIAC pursuant to a Loan Agreement between the Corporation and RIAC dated as of July 1, 2016 (the "Loan Agreement"). Under the Loan Agreement, RIAC has agreed to make payments to be used to pay when due the Principal Amount of, Redemption Premium, if any, and Interest on the 2016 Series E Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Corporation and RIAC contained in the Indenture, the Loan Agreement, the certified proceedings and other certifications of public officials furnished to us, and certifications furnished to us by or on behalf of the Corporation and RIAC, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of opinion that, under existing law:

1. The Corporation is duly created and validly existing as a public body corporate and agency of the State of Rhode Island and Providence Plantations (the "State") with the corporate power to enter into and perform the obligations under the Loan Agreement and the Indenture and to issue the 2016 Series E Bonds.
2. The Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Corporation and are valid and binding obligations of the Corporation enforceable against the Corporation in accordance with their respective terms.
3. The Indenture creates a valid lien on the Net Revenues for the security of the 2016 Series E Bonds on a parity with other bonds issued or to be issued under the Master Indenture and on amounts on deposit in the Funds and Accounts created pursuant to the Indenture, including the earnings thereon (except for amounts on deposit in the Construction Fund, the T.F. Green Operation

and Maintenance Fund, the Rebate Fund, the Passenger Facility Charge Fund, the Subordinated Indebtedness Fund, the General Purpose Fund and the Purchase Fund, if any), the Corporation's right, title and interest in the Loan Agreement and any and all other revenues and property specifically pledged as additional security for the 2016 Series E Bonds.

4. The 2016 Series E Bonds have been duly authorized, executed and delivered by the Corporation and are valid and binding special and limited obligations of the Corporation payable as described in the Indenture.

5. The interest on the 2016 Series E Bonds is included in gross income for federal income tax purposes.

6. The 2016 Series E Bonds and the interest thereon are free from Rhode Island taxes, except for estate, inheritance and gift taxes.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Preliminary or Final Official Statement or other offering material relating to the 2016 Series E Bonds and we express no opinion relating thereto in this opinion, however, we do make reference to our Supplemental Opinion of even date herewith.

It is to be understood that the rights of the Holders of the 2016 Series E Bonds and the enforceability of the 2016 Series E Bonds, the Indenture, and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur.

Very truly yours,

Mack Law Associates LLC

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**Appendix E – Form of Continuing Disclosure Agreement**

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## **CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the Rhode Island Airport Corporation ("RIAC"), a public corporation organized as a subsidiary of the Rhode Island Commerce Corporation, formerly known as the Rhode Island Economic Development Corporation (the "Corporation"), for itself and on behalf of the Corporation, and U.S. Bank National Association (the "Dissemination Agent"), in connection with the issuance of the \$36,885,000 Rhode Island Commerce Corporation Airport Revenue Bonds, 2016 Series D (Non-AMT) and Rhode Island Commerce Corporation \$3,445,000 Airport Revenue Bonds, 2016 Series E (Federally Taxable) (collectively, the "Bonds"). The Bonds are being issued pursuant to a Master Indenture of Trust dated as of October 1, 1993, by and among RIAC, the Corporation and U.S. Bank National Association, as Trustee, as amended and supplemented, including by a Thirteenth Supplemental Indenture dated July 1, 2016 (the "Indenture"). The proceeds of the Bonds are being loaned by the Corporation to RIAC pursuant to the Loan Agreement dated July 1, 2016 (the "Loan Agreement"). RIAC, the Corporation and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by RIAC and the Dissemination Agent for the benefit of the Bondowners (defined below) and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below). RIAC and the Dissemination Agent acknowledge that the Corporation has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement, and has no liability to any person, including any Bondowner of the Bonds, with respect to any such reports, notices or disclosures.

SECTION 2. Definitions. (A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Rule, as amended and supplemented from time to time. Notwithstanding the foregoing, the term "Dissemination Agent" shall originally mean U.S. Bank National Association; any such successor dissemination agent shall automatically succeed to the rights and duties of the Dissemination Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

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

"Bondowner" shall mean the registered owner of a Bond and any beneficial owner thereof.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean any Dissemination Agent or successor Dissemination Agent designated in writing by RIAC and which has filed with RIAC and the

Trustee written acceptance of such designation. The same entity may serve as both Trustee and Dissemination Agent. In the absence of a third-party Dissemination Agent, RIAC shall serve as Dissemination Agent.

"EMMA" shall mean the Electronic Municipal Market Access system of the MSRB, currently located at <http://emma.msrb.org>.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Agreement. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through EMMA.

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

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

"SEC" means the United States Securities and Exchange Commission.

"SID" shall mean any public or private repository or entity designated by the State of Rhode Island as a state repository for the purpose of Rule. As of the date of this Disclosure Agreement, there is no SID.

(B) This Disclosure Agreement applies to the Bonds.

(C) The Dissemination Agent shall have no obligation to make disclosure about the Bonds except as expressly provided herein. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with RIAC, apart from the relationship created by the Rule shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition except as may be provided by written notice from the RIAC.

### SECTION 3. Provision of Annual Reports:

(a) RIAC shall, or shall cause the Dissemination Agent to, not later than one hundred twenty (120) days after the end of RIAC's fiscal year, commencing with the fiscal year ending June 30, 2016, provide to MSRB and the SID an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. Not later than fifteen (15) Business Days prior to said one hundred twentieth (120th) day, RIAC shall provide the Annual Report to the Dissemination Agent. RIAC shall submit the audited financial statements to the Dissemination Agent as soon as practicable after they become available. In each case, the Annual Report may be submitted as a single document or as

separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of RIAC may be submitted separately from and at a later date than, the balance of the Annual Report if such audited financial statements are not available as of the date set forth above. If RIAC submitted its audited financial statements at a later date, it shall provide unaudited financial statements by the above specified deadline and shall provide the audited financial statements as soon as practicable after the audited financial statements become available.

(b) If by fifteen (15) Business Days prior to the date specified in subsection for providing the Annual Report to the MSRB and the SID, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact RIAC to determine if RIAC is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify from RIAC that an Annual Report has been provided to the MSRB and the SID by the date required in subsection (a), the Dissemination Agent on behalf of RIAC shall send a notice of such failure to file the Annual Report by the date required in subsection (a) to MSRB and the SID in the form of Exhibit A attached hereto.

(d) The Dissemination Agent shall:

(i) determine each year within five (5) Business Days of the date for providing the Annual Report the name and address of the SID, if any (insofar as determinations regarding repositories are concerned, the Dissemination Agent may conclusively rely on the list of repositories published by the United States Securities and Exchange Commission); and

(ii) file a report with RIAC, the Trustee and the Corporation certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided (the "Compliance Certificate"); such report shall include a certificate from RIAC that the Annual Report complies with the requirements of this Disclosure Agreement.

(e) RIAC will provide a copy of all reports required hereunder to the Trustee.

SECTION 4. Content of Annual Reports. RIAC's Annual Report shall contain or incorporate by reference the following financial information and operating data relating to RIAC updating the information of the type provided in the following tables contained in the Official Statement dated June 16, 2016 pertaining to the Bonds, and in each case substantially in the same level of detail in the referenced sections of the Official Statement:

- (a) Historical Enplanement Data;
- (b) Airlines Serving the Airport;
- (c) Historical Enplanements by Airline;

- (d) Historical Aircraft Landed Weight; and
- (e) Statement of Revenues, Expenses and Changes in Net Position

RIAC agrees that the financial statements provided pursuant to Section 3 and 4 of this Disclosure Agreement shall be prepared in conformity with generally accepted accounting principles, as in effect from time to time. Any or all of the items listed above may be incorporated by reference from other documents, including the official statements of debt issues of RIAC, which have been submitted to the MSRB and the SID or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. RIAC shall clearly identify each such other document so incorporated by reference. Neither the Trustee nor the Dissemination Agent shall be under any obligation to verify the content or correctness of, and shall not be responsible for the sufficiency of, the Annual Report for compliance of the contents of any Annual Report with the Rule or with this Disclosure Agreement.

SECTION 5. Reporting of Significant Event. This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material events affecting the tax status of the Bonds;
7. modifications to rights of the holders of the Bonds, if material;
8. Bond calls, if material;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. tender offers;

13. bankruptcy, insolvency, receivership or similar event of RIAC;<sup>1</sup>
14. the consummation of a merger, consolidation, or acquisition of RIAC or the sale of all or substantially all of the assets of RIAC, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
15. appointment of a successor or additional trustee, or the change of name of a trustee, if material.

Whenever RIAC obtains knowledge of the occurrence of a Listed Event, RIAC shall, in a timely manner, but not in excess of ten (10) business days after the occurrence thereof, file or cause the Dissemination Agent to file a notice of such occurrence with the MSRB and the SID. RIAC shall provide a copy of each such notice to the Trustee. The Dissemination Agent, if other than RIAC, shall have no duty to file a notice of a Listed Event described hereunder unless it is directed to do so by RIAC, and shall have no responsibility for verifying any of the information in any such notice or determining the materiality of the event described in such notice.

#### SECTION 6. Transmission of Information and Notices.

Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. A description of such format and information as presently prescribed by the MSRB is included in Exhibit B hereto.

#### SECTION 7. Termination of Reporting Obligation.

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

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<sup>1</sup> For purposes of the event identified in Section 5(13) above, the event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for RIAC in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of RIAC, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of RIAC.

The purpose of RIAC's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the underwriters of the Bonds, any registered owner or beneficial owner of Bonds, any municipal securities broker or dealer, any potential purchaser of Bonds, the SEC or any other person, other than as specifically provided in this Disclosure Agreement.

SECTION 8. Dissemination Agent. This Disclosure Agreement governs RIAC's direction to the Dissemination Agent, with respect to information to be made public. In its actions under this Disclosure Agreement, the Dissemination Agent is acting as RIAC's agent. In addition to any and all rights of the Dissemination Agent to indemnification and other rights pursuant to the Rule or under law or equity, RIAC shall indemnify and hold harmless the Dissemination Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Dissemination Agent's performance under this Disclosure Agreement; provided that RIAC shall not be required to indemnify the Dissemination Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Dissemination Agent in such disclosure of information hereunder. The obligations of RIAC under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Borrower, RIAC, the Bondholder or any other party. RIAC may, from time to time, with written notice to the Trustee appoint or engage a third-party Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge with notice to the Trustee any such third-party Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than RIAC) may resign upon thirty (30) days' written notice to RIAC, the Corporation and the Trustee.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, RIAC and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by RIAC provided that the Dissemination Agent may but shall not be required to agree to any amendment that affects the Dissemination Agent's rights, duties or immunities hereunder) and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both RIAC and the Dissemination Agent to the effect that such amendment or waiver would not, in and of itself, violate the Rule. Without limiting the foregoing, RIAC and the Dissemination Agent may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in identity, nature or status of RIAC or of the type of business conducted by RIAC; (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c)(i) the Dissemination Agent receives an opinion of counsel expert in federal securities laws and acceptable and addressed to the Dissemination Agent to the effect that, the amendment does not materially impair the interest of the Bondowners, or (ii) the amendment is consented to by the Bondowners as though it were an amendment to the Indenture pursuant to the Indenture. The annual financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment is made to an undertaking specifying the accounting principles to be followed in preparing the financial

statements, the annual financial information for the year in which the change is made should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Neither the Dissemination Agent nor the Dissemination Agent shall be required to accept or acknowledge any amendment of this Disclosure Agreement if the amendment adversely affects its respective rights or immunities or increases its respective duties hereunder.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent RIAC from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement. If RIAC chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, RIAC shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of RIAC or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent, at the request of any Participating Underwriter or Bondowners representing at least 25% in aggregate principal amount of Outstanding Bonds, shall take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause RIAC or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. Without regard to the foregoing, any Bondowner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause RIAC or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of RIAC or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. In no event shall RIAC or the Dissemination Agent be liable for actual or consequential monetary damages in the event of a default under this Disclosure Agreement.

SECTION 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent (if other than RIAC), shall have only such duties as are specifically set forth in this Disclosure Agreement. In addition to any and all rights of the Dissemination Agent to reimbursement, indemnification and other rights pursuant to the Rule or under law or equity, RIAC hereby agrees to indemnify and hold the Dissemination Agent, its directors, or officers, employees and agents (collectively, the "Indemnitees") harmless from and against any and all claims, liabilities, losses, damages, fines, penalties, and expenses, including out-of-pocket, incidental expenses, legal fees and expenses ("Losses") that may be imposed on, incurred by, or asserted against, the Indemnitees or any of them for following any instruction or other direction upon which the Dissemination Agent is authorized to rely pursuant to the terms of the Disclosure Agreement. These provisions shall survive the payment of the Bonds. Anything in the Disclosure Agreement to the contrary notwithstanding, in no event shall the Dissemination Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost

profits), even if the Dissemination Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of RIAC, the Trustee, the Dissemination Agent, the Participating Underwriters, and the Bondowners or beneficial owners of the Bonds from time to time, and shall create no rights in any other person or entity.

SECTION 14. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of RIAC under this Disclosure Agreement shall obligate RIAC to file any information regarding matters other than those specifically described in Section 3 and Section 4 hereof, nor shall any such filing constitute a representation by RIAC or raise any inference that no other material events have occurred with respect to RIAC or the Bonds or that all material information regarding RIAC or the Bonds has been disclosed. RIAC shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

SECTION 15. Reserved.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 17. Governing Law. This Disclosure Agreement shall be governed by the internal laws of the State of Rhode Island and Providence Plantations.

SECTION 18. Notices. Unless otherwise expressly provided, all notices to RIAC, the Trustee and the Dissemination Agent shall be in writing and be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or e-mail, or delivered during business hours to such parties at the address specified in the Indenture or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

Date: July 1, 2016

RHODE ISLAND AIRPORT CORPORATION

By: \_\_\_\_\_  
Authorized Officer

U.S. BANK NATIONAL ASSOCIATION, as  
Dissemination Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Rhode Island Commerce Corporation

Name of Bond Issue: Rhode Island Commerce Corporation Airport Revenue Bonds, 2016 Series D (Non-AMT) and Airport Revenue Bonds, 2016 Series E (Federally Taxable)

Name of Institution: Rhode Island Airport Corporation

Date of Issuance: July 1, 2016

NOTICE IS HEREBY GIVEN that Rhode Island Airport Corporation (the "RIAC") has not provided an Annual Report with respect to the above-named bonds as required by the Continuing Disclosure Agreement dated July 1, 2016 between RIAC and U.S. Bank National Association, as Dissemination Agent.

Dated: \_\_\_\_\_

U.S. Bank National Association,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## **EXHIBIT B**

### **MSRB Procedures for Submission of Continuing Disclosure Documents and Related Information**

Securities and Exchange Commission Release No. 34-59061 (the "Release") approves an MSRB rule change establishing a continuing disclosure service of the MSRB's Electronic Municipal Market Access system ("EMMA"). The rule change establishes, as a component of EMMA, the continuing disclosure service for the receipt of, and for making available to the public, continuing disclosure documents and related information to be submitted by issuers, obligated persons and their agents pursuant to continuing disclosure undertakings entered into consistent with Rule 15c2-12 ("Rule 15c2-12") under the Securities Exchange Act of 1934. The following discussion summarizes procedures for filing continuing disclosure documents and related information with the MSRB as described in the Release.

All continuing disclosure documents and related information is to be submitted to the MSRB, free of charge, through an Internet-based electronic submitter interface or electronic computer-to-computer data connection, at the election of the submitter. The submitter is to provide, at the time of submission, information necessary to accurately identify: (i) the category of information being provided; (ii) the period covered by any annual financial information, financial statements or other financial information or operating data; (iii) the issues or specific securities to which such document is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (iv) the name of any obligated person other than the issuer; (v) the name and date of the document; and (vi) contact information for the submitter.

Submissions to the MSRB are to be made as portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. If the submitted file is a reproduction of the original document, the submitted file must maintain the graphical and textual integrity of the original document. In addition, such PDF files must be word-searchable (that is, allowing the user to search for specific terms used within the document through a search or find function), provided that diagrams, images and other non-textual elements will not be required to be word-searchable.

All submissions to the MSRB's continuing disclosure service are to be made through password protected accounts on EMMA by (i) issuers, which may submit any documents with respect to their municipal securities; (ii) obligated persons, which may submit any documents with respect to any municipal securities for which they are obligated; and (iii) agents, designated by issuers and obligated persons to submit documents and information on their behalf. Such designated agents are required to register to obtain password-protected accounts on EMMA in order to make submissions on behalf of the designating issuers or obligating persons. Any party identified in a continuing disclosure undertaking as a dissemination agent or other party responsible for disseminating continuing disclosure documents on behalf of an issuer or obligated person will be permitted to act as a designated

agent for such issuer or obligated person, without a designation being made by the issuer or obligated person as described above, if such party certifies through the EMMA on-line account management utility that it is authorized to disseminate continuing disclosure documents on behalf of the issuer or obligated person under the continuing disclosure undertaking. The issuer or obligated person, through the EMMA on-line account management utility, is able to revoke the authority of such party to act as a designated agent.

The MSRB's Internet-based electronic submitter interface (EMMA Dataport) is at [www.emma.msrb.org](http://www.emma.msrb.org).

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