

NEW ISSUE - Book-Entry Only

RATINGS:	<u>Uninsured Series</u>	<u>Insured Series</u>
	<u>2003A Bonds</u>	<u>2003A Bonds</u>
Fitch:	AA-	AAA
Moody's:	Aa3	Aaa
Standard & Poor's:	A+	AAA

In the opinion of Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2003A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Series 2003A 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. See "TAX MATTERS" herein. In addition, in the opinion of Co-Bond Counsel, interest on the Series 2003A Bonds is exempt from Rhode Island personal income taxes.

\$216,805,000

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
Grant Anticipation Bonds
(Rhode Island Department of Transportation), Series 2003A

Dated: Date of Delivery**Due:** June 15 as shown on the inside cover

The Rhode Island Economic Development Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2003A (the "Series 2003A Bonds") are being issued by the Rhode Island Economic Development Corporation (the "Issuer") pursuant to Sections 8 and 10 of Article 36 (PL.03-376) (the "Program Act"), the Rhode Island Economic Development Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended (the "Issuer Act" and with the Program Act, the "Act") and a Master Trust Indenture, dated as of November 1, 2003, (the "Trust Indenture"), as supplemented by the Series 2003A Supplemental Trust Indenture (the "First Supplemental Trust Indenture"). The Trust Indenture is by and between the Issuer and J.P. Morgan Trust Company, National Association, Dallas, Texas, as trustee (the "Trustee"), with certain provisions thereof acknowledged, agreed to and approved by the State of Rhode Island and Providence Plantations (the "State") acting by and through the State Department of Transportation (the "Department").

The Series 2003A Bonds will only be issued as fully registered bonds under a book-entry-only system. The Series 2003A Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2003A Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry-only form in denominations of \$5,000 or whole multiples thereof. Purchasers will not receive certificates representing the ownership interest in the Series 2003A Bonds purchased by them.

Interest on the Series 2003A Bonds is payable on June 15 and December 15 of each year, commencing June 15, 2004. So long as the Series 2003A Bonds are registered in the name of DTC, or its nominee, payments of the principal of and interest on the Series 2003A Bonds will be made directly by J.P. Morgan Trust Company, National Association, as Paying Agent, to DTC which, in turn, is obligated to remit such payments to its participants for subsequent distribution to beneficial owners of the Series 2003A Bonds, as described herein. The Series 2003A Bonds are being issued by the Issuer to finance a portion of the cost incurred by the Department of four specific transportation infrastructure projects described herein and to pay the costs of issuance of the Series 2003A Bonds. The maturities, interest rates and yields of the Series 2003A Bonds are shown on the inside cover hereof. The Series 2003A Bonds are subject to optional redemption prior to their respective maturity dates as described herein.

The Series 2003A Bonds are special and limited obligations of the Issuer. The Series 2003A Bonds, together with any Additional Grant Anticipation Bonds (the "Additional Bonds") that are subsequently issued on a parity therewith (collectively, the "Bonds"), are payable from, and secured solely by a pledge of, the Trust Estate (as defined herein), which consists primarily of Federal Transportation Funds (as defined herein) relating to the Construction Projects (as defined herein) that are paid to the Issuer or Trustee in accordance with Title 23 (as defined herein), the Federal Aid Agreements (as defined herein), the Payment Agreement (as defined herein), and the Program Act and amounts on deposit in the Bond Payment Fund created under the Trust Indenture and held by the Trustee. The State will be required, pursuant to the Payment Agreement and subject to annual appropriation by the Rhode Island General Assembly, to transfer Federal Transportation Funds received from the Federal Highway Administration under certain Federal Aid Agreements to the Trustee.

THE SERIES 2003A 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 ISSUER) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2003A BONDS OR THE INTEREST THEREON. THE ISSUER HAS NO TAXING POWER. THE OBLIGATION OF THE STATE TO MAKE PAYMENTS TO THE TRUSTEE FOR DEPOSIT IN THE BOND PAYMENT FUND IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE GENERAL ASSEMBLY.

The scheduled payment of principal of and interest on the Series 2003A Bonds maturing on June 15 of only the years 2009 through 2015, inclusive (the "Insured Series 2003A Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2003A Bonds by FINANCIAL SECURITY ASSURANCE INC.



This cover page contains only a brief description of the Series 2003A Bonds and the security therefor. It is not a summary of material information with respect to the Series 2003A Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

The Series 2003A Bonds are offered when, as and if issued, subject to the approval of legality by Hawkins, Delafield & Wood, Co-Bond Counsel, New York, New York, and Hincley, Allen & Snyder LLP, Co-Bond Counsel, Providence, Rhode Island, and certain other conditions. Certain legal matters will be passed on for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed on for the Issuer by its Disclosure Counsel, Brown Rudnick Berlack Israels LLP, Providence, Rhode Island and by its General Counsel, Adler Pollock & Sheehan PC., Providence, Rhode Island. Certain legal matters will be passed upon for the State by the Attorney General and for the Department by its Special Counsel, Moses & Afonso, Ltd., Providence, Rhode Island. It is expected that the Series 2003A Bonds in book-entry form will be available for delivery at DTC in New York, New York, on or about November 25, 2003.

Citigroup**Bear, Stearns & Co. Inc.****UBS Financial Services Inc.****Carolan & Co. Division of Oppenheimer & Co. Inc. Goldman, Sachs & Co.****Jackson Securities****JPMorgan Lehman Brothers****Merrill Lynch & Co.****Morgan Stanley Quick & Reilly, Inc.****Roosevelt & Cross**

\$216,805,000

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

**Grant Anticipation Bonds
(Rhode Island Department of Transportation), Series 2003A**

<u>Maturity</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number*</u>	<u>Maturity</u> <u>June 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number*</u>
2005	\$30,755,000	5.000%	1.370%	762236BF3	2011**	\$17,350,000	5.250%	3.380%	762236BM8
2006	32,290,000	5.000	1.830	762236BG1	2012**	18,260,000	5.250	3.620	762236BN6
2007	13,000,000	5.000	2.240	762236BH9	2013**	19,215,000	5.250	3.780	762236BP1
2008	13,655,000	5.000	2.620	762236BJ5	2014**†	20,225,000	5.000	3.910	762236BQ9
2009**	14,335,000	5.250	2.810	762236BK2	2015**†	21,235,000	5.000	4.000	762236BR7
2010**	16,485,000	5.250	3.100	762236BL0					

* CUSIP numbers have been assigned by an independent company not affiliated with the Issuer and are included solely for the convenience of the holders of the Series 2003A Bonds. Neither the State nor the Issuer is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2003A Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2003A 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 Series 2003A Bonds.

**Insured by Financial Security Assurance Inc. See "BOND INSURANCE."

†Priced to call date of June 15, 2013.

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
BOARD OF DIRECTORS**

His Excellency Donald L. Carcieri, Chairman
Frank J. Montanaro, Vice Chairman
Keith Stokes, Treasurer
The Honorable Melvoid J. Benson
The Honorable Keven A. Breene
Barbara Jackson
Joshua Miller
Jose V. Monteiro, Jr.
Douglas Sgarro
George Shuster
The Honorable Joseph A. Trillo
The Honorable William A. Walaska

Michael McMahon, Executive Director

STATE OF RHODE ISLAND DEPARTMENT OF TRANSPORTATION

James R. Capaldi, P.E.
Director

Brian P. Peterson
Associate Director, Chief Financial Officer

COUNSEL AND CONSULTANTS

Co-Bond Counsel to Issuer

Hawkins, Delafield & Wood, New York, New York
Hinckley, Allen & Snyder LLP, Providence, Rhode Island

Issuer General Counsel

Adler Pollock & Sheehan P.C., Providence, Rhode Island

Disclosure Counsel to Issuer

Brown Rudnick Berlack Israels LLP, Providence, Rhode Island

Special Counsel to Department of Transportation

Moses & Afonso, Ltd.

Financial Advisor to Issuer

First Southwest Company
Lincoln, Rhode Island

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the State, the Issuer, the Department or the Underwriters. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the securities offered hereby or an offer to sell or solicitation of offers to buy, nor shall there be any sale of the Series 2003A Bonds, by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information contained in this Official Statement has been obtained from the Issuer, the Department, the State and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a promise by, any of the foregoing. The presentation of such information, including tables of receipts from the Federal Highway Administration and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representation of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State, the Issuer or the Department since the date hereof.

The Series 2003A 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 has passed upon the accuracy of this Official Statement.

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

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

The State has undertaken to provide continuing disclosure with respect to the Series 2003A Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE UNDERTAKING" and "APPENDIX E - PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2003A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "BOND INSURANCE" and "APPENDIX F - SPECIMEN MUNICIPAL BOND INSURANCE POLICY" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2003A Bonds; or (iii) the tax exempt status of the interest on the Series 2003A Bonds.

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Appendix A – Proposed Form of Opinion of Bond Counsel

Appendix B – Summary of Certain Provisions of the Trust Indenture

Appendix C – Proposed Form of Payment Agreement

Appendix D – Book-Entry-Only System

Appendix E – Proposed Form of Continuing Disclosure Undertaking

Appendix F – Specimen Municipal Bond Insurance Policy

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OFFICIAL STATEMENT

relating to

\$216,805,000

Rhode Island Economic Development Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2003A

INTRODUCTION

This Official Statement (including the cover page, inside cover page, and Appendices attached hereto) provides certain information in connection with the initial issuance by the Rhode Island Economic Development Corporation (the "Issuer") of its Rhode Island Economic Development Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2003A (the "Series 2003A Bonds") in the aggregate principal amount of \$216,805,000. The Series 2003A Bonds are being issued pursuant to Sections 8 and 10 of Article 36 (P.L. 03-376) (the "Program Act"), the Rhode Island Economic Development Corporation Act, Title 42, Chapter 64 of the Rhode Island General Laws, as amended and supplemented from time to time and any successor or replacement provision of law (the "Issuer Act", and with the Program Act, the "Act"), and under and pursuant to a Master Trust Indenture dated as of November 1, 2003, as amended and supplemented to the date hereof (the "Trust Indenture"), including as supplemented by the Series 2003A Supplemental Trust Indenture (the "First Supplemental Trust Indenture"). The Trust Indenture is by and between the Issuer and J.P. Morgan Trust Company, National Association, Dallas, Texas as trustee (the "Trustee"), with certain provisions thereof acknowledged, agreed and approved by the State of Rhode Island and Providence Plantations (the "State"), acting by and through the State Department of Transportation (the "Department").

Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE" hereto.

Pursuant to the Act, subject to certain limitations, the Issuer may issue bonds and notes to finance the projects described below, which constitute portions of the State highway program administered by the Department. Under the Act, the Issuer is authorized to issue bonds and notes in anticipation of receipt of amounts under one or more grant agreements between the Department and the Federal Highway Administration ("FHWA"). The Department has entered into a certain memorandum of agreement and certain supplements attached and supplemented from time to time as schedules thereto (collectively the "Federal Aid Agreements"), with FHWA relating to the design and construction by the Department of the Route 195 Relocation Project, the New Washington Bridge, the Freight Rail Improvement Project, the Route 403 Project and the New Sakonnet Bridge (each as described herein), and improvements related thereto (collectively, the Route 195 Relocation Project, the New Washington Bridge, the Freight Rail Improvement Project and the Route 403 Project are referred to herein as the "Series 2003A Construction Projects" and, together with the New Sakonnet Bridge, the "Construction Projects"). Each of the Series 2003A Construction Projects is a Qualified Federal Aid Transportation Project (as defined in the Trust Indenture). The Series 2003A Bonds are being issued for the purpose of paying a portion of the costs of the Series 2003A Construction Projects and the costs of issuing the Series 2003A Bonds. Under the Federal Aid Agreements, the State is responsible for paying the remaining costs of the Series 2003A Construction Projects using other state matching funds described herein. See "MANAGEMENT OF STATE HIGHWAY PROGRAM – Department of Transportation" and "PLAN OF FINANCE." The supplements to the memorandum of agreement are expected to be updated on or after the issuance of the Series 2003A

Bonds and any Additional Bonds. The cost of the design and construction of the New Sakonnet Bridge is not being funded with the Series 2003A Bonds. See – “THE CONSTRUCTION PROJECTS.”

FHWA has agreed to make payments to the Department pursuant to the Federal Aid Agreements, which the State has agreed, subject to annual appropriation, to remit to the Trustee, in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2003A Bonds, when due. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS – The Federal Aid Agreements.” The Trustee shall use such amounts to pay the Bond Payments. More specifically, under a Payment Agreement by and among the Governor of the State (the “Governor”), the General Treasurer of the State (the “General Treasurer”), the State Department of Administration, the Department and the Issuer dated as of November 1, 2003 (the “Payment Agreement”), (i) the Governor will be required to include in each State Fiscal Year’s proposed budget submitted to the General Assembly the annual appropriation of Federal Transportation Funds sufficient to make Bond Payments on a timely basis, and (ii) the State, subject to appropriation by the General Assembly, will be required to agree to make payments to the Trustee of such Federal Transportation Funds sufficient to make Bond Payments when due. The Trustee will be designated as an intended third party beneficiary of the Payment Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Payment Agreement.”

The Bond Payments (as defined herein) on the Series 2003A Bonds, and any additional Grant Anticipation Bonds (the “Additional Bonds”) that may be subsequently issued by the Issuer on a parity with the Series 2003A Bonds (collectively, the “Bonds”), are payable from and secured solely by a pledge of the Trust Estate (as defined herein), which consists primarily of (i) Federal Transportation Funds that are paid to the Issuer or Trustee in accordance with Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law (“Title 23”), the Federal Aid Agreements, the Payment Agreement and the Act, and (ii) amounts on deposit in the Grant Anticipation Bonds Bond Payment Fund (the “Bond Payment Fund”) created under the Trust Indenture and held by the Trustee (collectively, the “Trust Estate”). The Bonds are special and limited obligations of the Issuer. The Payment Agreement will require the State to transfer all Federal Transportation Funds paid to the Department from the FHWA under the Federal Aid Agreements to the Trustee, and, to the extent needed, the Trustee shall deposit such Federal Transportation Funds into the Bond Payment Fund to pay Bond Payments on and Redemption Price of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” Any transfer of Federal Transportation Funds by the State to the Issuer or Trustee for the payment of Bond Payments on the Series 2003A Bonds is subject to annual appropriation of the Federal Transportation Funds by the General Assembly of the State. Pursuant to the Payment Agreement, the Governor will be required to agree to include in the Governor’s proposed budget submitted to the General Assembly for each State Fiscal Year in which Bonds are Outstanding, an amount equal to the gross appropriation of Federal Transportation Funds anticipated to be received by the State in each State Fiscal Year. See “THE CONSTRUCTION PROJECTS” and “SECURITY AND SOURCES OF PAYMENT ON THE BONDS – The Payment Agreement.” The Issuer will consider obtaining bond insurance on the Series 2003A Bonds or any maturity thereof at the time of pricing of the Series 2003A Bonds.

The Series 2003A Bonds and the payment of Bond Payments thereon are not general obligations of the Issuer and are not secured by an obligation or pledge of any moneys raised by the Issuer through taxation. The payment of the Series 2003A Bonds is not payable out of any moneys of the Issuer or the Department other than the Trust Estate under the Trust Indenture. The Series 2003A Bonds are not obligations, general, special or otherwise, of the State, do not constitute a legal debt of the State, are not enforceable against the State, nor shall payment thereof be made out of any moneys of the State.

THE SERIES 2003A 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 ISSUER) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2003A BONDS OR THE INTEREST THEREON. THE ISSUER HAS NO TAXING

POWER. THE OBLIGATION OF THE STATE TO MAKE PAYMENTS TO THE TRUSTEE FOR DEPOSIT IN THE BOND PAYMENT FUND IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE GENERAL ASSEMBLY.

This Official Statement describes the terms of and security for the Series 2003A Bonds and the use of proceeds of the Series 2003A Bonds. Also included are summaries of certain provisions of the Trust Indenture, the Federal Aid Agreements and Title 23 of the U.S. Code and other provisions of Federal law that govern the Federal-Aid Highway Program and provisions of the Issuer Act and the Program Act. These descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Trust Indenture and Federal Aid Agreements are qualified in their entirety by reference to the definitive form thereof, all references to Federal laws, the Issuer Act and the Program Act are qualified in their entirety by reference to the complete statutes, regulations and published interpretations by Federal or State officials, and all references to the Series 2003A Bonds are qualified by the forms thereof contained in the Trust Indenture and are further qualified in their entirety by reference to laws and principles of equity relating to or affecting the enforceability of creditors' rights. Copies of the Trust Indenture and Federal Aid Agreements may be obtained as set forth under "MISCELLANEOUS."

THE CONSTRUCTION PROJECTS

The Construction Projects consist of the design and construction by the Department of the following projects:

- The Route 195 Relocation Project. The Route 195 Relocation Project involves the relocation of a 45-year-old 1.6-mile stretch of Interstate 195 (I-195) and an adjacent 0.8-mile portion of Interstate 95 (I-95) through Providence. The freeway will be relocated 2000 feet to the south of its current alignment and outside the barrier which protects the 350 year old city from hurricane flooding. The project includes fourteen new bridges with a 1200 foot long mainline bridge over the Providence River, 25 lane-miles of new interstate, a new interchange with I-95, five miles of new city streets, and 4100 feet of new pedestrian river walks. In addition, removal of the existing interstate will free up 20 acres of prime downtown real estate. The project will complement the recently completed river relocation, Waterplace Park and Memorial Boulevard projects that have revitalized downtown Providence.

This section of I-195 through downtown Providence was constructed in the late 1950's as the era of national interstate systems was getting started. It was one of Rhode Island's first sections of interstate highway. Its winding alignment separates the central business district from the historic jewelry district, and the Fox Point neighborhood from the waterfront. The highway is the primary east-west interstate route between Providence and southeastern Massachusetts, including Cape Cod. It is the main route across the mouth of the Narragansett Bay. Despite repairs during the late 1980's, the existing highway is essentially past the end of its service life. It no longer meets current design criteria, has poor operational characteristics, its bridges continue to deteriorate and are seismically obsolete.

The new alignment will avoid the city center and provide a smooth eight-lane connection with Interstate 95 to and from the east. The centerpiece of the project is the four hundred (400) foot long mainspan of the Providence River Bridge. It is a triple barrel steel tied network arch. The network configuration means that the hangers are inclined. The mainspan frames a gateway entrance for boats through the portals of the hurricane barrier and the inner harbor beyond. The arch barrels rising above the deck will afford views of the bridge both from a distance, and from the bridge deck itself. Monumental masonry pylons will announce the bridge at either end and serve at night as lanterns for the city. These pylons will rise 30 feet above the bridge deck.

The construction schedule calls for the new interstate mainline to be open in 2008 with project completion, including demolition of the existing facility and reconnection of city streets, by 2012. There are five building demolition contracts and fifteen construction contracts planned. Ten of these fifteen construction contracts are expected to be funded by the Bonds, and five of the construction contracts have been or will be funded with other funds legally available to the Department. The ten construction contracts range in value from \$1 million to \$90 million. The sequence essentially involves three phases. The first phase, which is almost complete, is the preparation phase, which includes building demolition and utility relocation. This will clear the corridor and allow the utilities to remain in service during construction. The second phase includes the construction of the mainline and interchange ramps. The eastbound lanes will be completed first to allow north to east traffic to use the new facility. The westbound lanes will follow the next year with the completion of the remaining three legs of the interchange with I-95. The third phase is the completion phase, which ties the new interstate into the existing, removes the old interstate, and reconnects the city streets.

The Program Act authorizes the issuance of an amount not to exceed three hundred forty-eight million two hundred eighty-five thousand dollars (\$348,285,000) in bonds to pay the capital costs and cost of issuance of the Route 195 Relocation Project, of which not more than three hundred forty-eight million two hundred eighty-five thousand dollars (\$348,285,000) may be Bonds and not more than sixty-nine million six hundred fifty-seven thousand dollars (\$69,657,000) may be State Matching Bonds (as defined herein).

- The New Washington Bridge. The Washington Bridge (Bridge No. 200) carries multiple eastbound lanes of I-195 and U.S. Routes 6 and 44 over the Seekonk River between the cities of Providence and East Providence, Rhode Island. Bridge No. 200 also passes over Gano Street, Water Street, Valley Street and the Providence and Worcester Railroad. The bridge was built in 1928, and the original structure included a bascule span to permit upstream navigation. Bridge No. 200 is immediately south of the 1970-built Washington Bridge North (Bridge No. 700).

Bridge No. 200 has a total of 16 individual spans including the Valley Street span. The bridge has a total length of approximately 1,900 feet and a width of 84 feet 6 inches.

The bridge underwent major rehabilitation in 1970 when Bridge No. 700, directly north, was constructed. The bascule span (Span 7) was replaced by a fixed steel span. The entire bridge deck and portions of the columns and parapets were replaced. As a result of the construction of Bridge No. 700, Bridge No. 200 was changed from a two-way roadway to a single direction multi-lane roadway. The resulting reconfiguration of the bridge yielded a 74-foot curb-to-curb roadway width, a concrete barrier to protect pedestrians, and a single 4-foot wide sidewalk. More recently, the sidewalk has been incorporated into the state-designated East Bay Bike-path.

The proposed Washington Bridge No. 200 will be realigned within a vacant area between the two bridges, thus allowing the construction of a completely new bridge using the existing foundations. The proposed bridge will consist of five 12 foot travel lanes and two 4 foot shoulders. Construction would be phased to allow the new bridge to be built while existing I-195 traffic is maintained within the southerly portion of the existing Washington Bridge No. 200.

Since the existing bridge is on the National Register of Historic Bridges a concept was advanced that retained the existing southerly portion of the existing bridge and converted it to a bike path, pedestrian way, and linear park which provides the highest form of historical mitigation.

Additional savings were realized after the Department conducted a Value Engineering Study, which recommended that the new bridge be positioned and supported by a portion of the existing foundation. This required only one row of new structural supports (drilled shafts). This design simplified United States Coast Guard permit requirements.

The Program Act authorized the issuance of an amount not to exceed eighty-five million four hundred thirty thousand dollars (\$85,430,000) in Bonds to pay the capital costs and cost of issuance of the New Washington Bridge. No State Matching Bonds are authorized to finance the costs of the New Washington Bridge because federal matching requirements have already been satisfied.

- The Route 403 Project. The Route 403 Project is a new freeway that will connect the existing Route 4 freeway in East Greenwich with the Quonset Davisville Port and Commerce Park in North Kingstown (the “Quonset Industrial Park”) (the “Route 403 Project”). This 4.5 mile, 4-lane, controlled-access facility is being implemented by the Department to provide improved highway access to Quonset Industrial Park. The new freeway will contain three interchanges, a total of 14.8 miles of roadways (including the main freeway and the ramps), 14 new bridges, two bridge rehabilitations, an extensive storm drainage and water quality treatment system, and environmental mitigation improvements. The total project construction cost is presently estimated at \$182 million (which includes \$82 million in costs incurred in Stage 1 that will not be reimbursed from the proceeds of the Bonds).

Due to past funding policies, the master plan for the project previously called for construction to be accomplished through eleven separate contracts spaced over a twelve-year period. In order to place sections of the freeway into operation as soon as possible, those eleven contracts have been grouped into two major components referred to as Stage 1 and Stage 2 of the project. Stage 1, which will cost an estimated \$82 million, includes the first four of eleven construction contracts and encompasses the southeasterly section of Route 403, from West Davisville to the Quonset Davisville complex in North Kingstown. Most of Stage 1 is presently under construction and is scheduled for completion in 2006.

Stage 2 of the project will connect Stage 1 with Route 4 in East Greenwich. Stage 2 was initially planned in seven construction contracts. With funding provided by the Bonds, the freeway will be constructed in six contracts and opened to traffic at the end of 2007, five years in advance of the initial construction schedule.

The Program Act authorizes the issuance of an amount not to exceed one hundred seven million one hundred sixty-five thousand dollars (\$107,165,000) in bonds to pay the capital costs and cost of issuance for the Route 403 Project, of which not more than one hundred seven million one hundred sixty-five thousand dollars (\$107,165,000) may be Bonds and not more than twenty-one million four hundred thirty-three thousand dollars (\$21,433,000) may be State Matching Bonds.

- The Freight Rail Improvement Project. The Freight Rail Improvement Project (the “FRIP”) is a 22-mile long project located within Amtrak’s Northeast Corridor between milepost 168 (West Davisville) to milepost 190 (Central Falls). This project entails constructing a Freight Dedicated Track (3rd Track) along Amtrak’s mainline tracks, linking Quonset / Davisville to the Boston Switch at Central Falls and out to western markets.

The FRIP is administered through two contractual methods: an Amtrak Force Account Agreement and multiple Department Construction Contracts. The Amtrak Force Account Agreement is for work conducted by Amtrak forces to include track replacement, new

track construction, installation of new Communication and Signal Systems (C&S), Electric Traction (Catenary) modifications, undercutting, and support services to Department FRIP contracts. The Department Construction Contracts consist of 9 individual sitework and structure projects containing elements of work necessary for preparing the alignment and trackbed for the construction of the 3rd Track. All of these operations are conducted in or adjacent to a live electrified overhead contact system (OCS) and in a corridor operating high speed train sets. Funding for the \$196 million project is a mix of State and federal funds. The work described below will be funded using Bonds and the State Matching Bonds.

Track 7: Track 7 is a five (5) mile section of the existing Track 7 between milepost 184 (Dean Street, Providence) to milepost 190 (Boston Switch, Central Falls). This section of the FRIP consists of a Phase 1 double stack (tri-level service) rehabilitation of Track 7 under the Amtrak Force Account. Work includes the removal and replacement of wood ties, substitution of substandard rail, undercutting, Pawtucket Station remediation work, excavation of ledge, drainage, and railroad sitework.

Communication and Signals (C&S) Systems: This portion of the Amtrak Force Account provides for the construction of new Communication and Signals (C&S) Systems for the incorporation of new and reconfigured interlockings and switches necessary for the construction of the Freight Dedicated Track (3rd Track). This new system, built along Track 2, is built in parallel to the existing system along Track 1 in order to maintain Amtrak's high-speed train service. Work includes procurement and installation of new Central Instrument Houses (CIH), Relay Houses & Cases, Microprocessors, Signal Bridges, and cabling.

Contract 5A: Contract 5A provides for the construction of all sitework necessary to prepare the railroad trackbed for Track 4 installation (by others) along the east side of Amtrak's existing mainline Track 2 from Milepost 167+5350 (Davisville turnout) to Milepost 169+4633 (Post Road, East Greenwich) (approximately 2.0 miles). Work under this contract includes: railroad trackbed construction, construction of trackside storm drainage systems, installation of overhead contact system foundations, and construction of soldier pile and precast concrete panel lagging walls.

The Program Act authorizes the issuance of an amount not to exceed forty-two million five hundred five thousand dollars (\$42,505,000) in bonds to pay the capital costs and cost of issuance of the FRIP, of which not more than forty-two million five hundred five thousand dollars (\$42,505,000) may be Bonds and not more than eight million five hundred thousand dollars (\$8,500,000) may be State Matching Bonds.

- New Sakonnet Bridge.

The New Sakonnet Bridge project will consist of replacing the Sakonnet River Bridge (RI Bridge No. 250) on a new alignment immediately south of the existing structure. The crossing carries Rhode Island State Route 24 (RI 24) over the Sakonnet River, a tidal passage separating the Town of Portsmouth on Aquidneck Island to the west and the Town of Tiverton on the mainland to the east. The bridge is located in Newport County, Rhode Island just to the south of where the Sakonnet River opens into Mount Hope Bay.

The crossing is an integral part of RI 24 which is a key link in the transportation system connecting Massachusetts to Rhode Island and the Aquidneck Island Communities. Extensive required rehabilitation (and associated adverse traffic impacts), seismic susceptibility, fracture critical components, structural inadequacy, and substandard safety features necessitate the complete replacement of the structure.

A bridge Type Study Investigation is required to be completed in order to determine the type of replacement structure to be constructed. Regardless of the structure type selected for design and construction, project activities will include, but not be limited to, the following:

- Real Estate Acquisition and/or Relocation and Demolition,
- Construction of foundation footings and piers / abutments on land,
- Construction of foundation footings and piers in the Sakonnet River,
- Erection of superstructure girders / segments over land,
- Erection of superstructure girders / segments over the Sakonnet River,
- Construction of retaining walls,
- Construction of approach roadway (fill and cut),
- Construction of new bridge on and off ramps,
- Reconstruction of local roads as applicable,
- Reconfiguration of local traffic patterns as outlined in the FEIS,
- Transitioning of RI 24 traffic to new roadway and structure, and
- Demolition of the existing highway bridge.

This project is expected to be advertised in the 4th quarter of 2006 with construction activity beginning in the 1st quarter of 2007 and anticipated to be completed by 2009. Demolition of the existing bridge will begin within one year subsequent to completion of the new bridge.

The Program Act authorizes the issuance of an amount not to exceed one hundred twenty-six million two hundred forty thousand dollars (\$126,240,000) in bonds to pay the capital costs and cost of issuance of the New Sakonnet Bridge, of which not more than one hundred twenty-six million two hundred forty thousand dollars (\$126,240,000) may be Bonds and not more than twenty-five million two hundred forty-eight thousand (\$25,248,000) may be State Matching Bonds.

Below is a map of the State of Rhode Island that shows the location of each of the Construction Projects:



Funding for a portion of the Series 2003A Construction Projects will be provided by using the net proceeds of the Series 2003A Bonds, which will be paid to the Department or certain contractors of the Department by the Trustee pursuant to the Trust Indenture. As a result of this funding approach, completion of the Series 2003A Construction Projects is expected by the Department to occur earlier than would otherwise be the case.

The FHWA has authorized portions of the Series 2003A Construction Projects as Advance Construction projects under Title 23 and has determined that the Series 2003A Construction Projects are eligible for Federal Aid Revenues under Title 23. The FHWA has agreed under the Federal Aid Agreements to make payments to the Department in amounts sufficient to make the Bond Payments, when due. The Department shall, subject to annual appropriation, remit the payments to the Trustee. Such payments shall be used by the Trustee under Title 23 and the terms of the Federal Aid Agreements and the Trust Indenture to pay Bond Payments on the Bonds, including the Series 2003A Bonds. As required by Title 23, the Construction Projects have been included in the State transportation improvement program (the "TIP"). See "MANAGEMENT OF STATE HIGHWAY PROGRAM – State Planning Council." Each of the Series 2003A Construction Projects constitutes a Qualified Federal Aid Transportation Project, as that term is defined in the Trust Indenture. See "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS." Under the Trust Indenture, the Department covenants to comply with applicable law and the Federal Aid Agreements to the extent required in order to receive required amounts from the FHWA under the Federal Aid Agreements. Prior to the issuance of Additional Bonds, a portion of which is expected to pay for the design and construction costs of the New Sakonnet Bridge, the New Sakonnet Bridge will also be designated a Qualified Federal Aid Transportation Project.

For more information concerning the State's obligation under the Federal Aid Agreements to provide state matching funds for the Series 2003A Construction Projects and the simultaneous issuance of the State Matching Bonds, see "MANAGEMENT OF STATE HIGHWAY PROGRAM – Department of Transportation" and "PLAN OF FINANCE."

PLAN OF FINANCE

The Program Act Plan of Finance

The Series 2003A Bonds are being issued as part of a statutory plan of finance specifically authorized by the Program Act and designed to accelerate the funding and construction of the Series 2003A Construction Projects described herein. The Construction Projects are major, high priority federal-aid transportation projects of State and regional transportation, economic development and public safety significance.

Grant Anticipation Bonds. For each such Construction Project, the Program Act authorizes the Issuer to issue Bonds, including the Series 2003A Bonds, to accelerate the funding of the federal share of the Construction Projects through issuance of not more than a specified amount of bonds the repayment of which is to be secured by the Department's future receipt of Federal Transportation Funds with respect to such Construction Projects. The Program Act further limits the total amount of debt service that may be incurred on such Bonds, including the Series 2003A Bonds, with respect to each of the Construction Projects.

Motor Fuel Tax Revenue Bonds. The Program Act also authorizes the Issuer to issue not more than a specified amount of State Matching Bonds (the "Motor Fuel Tax Revenue Bonds") to provide a portion of the additional state matching funds, if any, required by the federal aid highway program for each Construction Project. Simultaneously with the issuance of the Series 2003A Bonds, the Issuer expects to issue its \$53,030,000 Rhode Island Motor Fuel Tax Revenue Bonds (Rhode Island Department of Transportation), Series 2003A (the "Series 2003A Motor Fuel Tax Revenue Bonds") in order to provide required state matching funds and to accelerate the funding of the Construction Projects funded from such Motor Fuel Tax Revenue Bonds. The Program Act also limits the total amount of debt service that may be incurred on such Motor Fuel Tax Revenue Bonds, including the Series 2003A Motor Fuel Tax Revenue

Bonds, with respect to each of the Construction Projects. See “MANAGEMENT OF STATE HIGHWAY PROGRAM – Department of Transportation.”

Statutory Caps on Total Bond Par and Total Debt Service. The Program Act limits the par amount of Bonds, including the Series 2003A Bonds, that may be issued by the Issuer to not more than \$709.625 million and, as described above, provides statutory limits within this total for each of the Construction Projects. Similarly, with respect to the Motor Fuel Tax Revenue Bonds, the Program Act limits the par amount of Motor Fuel Tax Revenue Bonds, including the Series 2003A Motor Fuel Tax Revenue Bonds, that may be issued by the Issuer to not more than \$124.838 million and, as described above, provides statutory limits within this total for each of the Construction Projects. The Program Act also limits the total debt service on such Motor Fuel Tax Revenue Bonds to not more than \$185.208 million and provides statutory limits within this total for each of the Construction Projects. The Program Act also limits the total debt service on the total amount of Bonds and the Motor Fuel Tax Revenue Bonds to an amount not to exceed \$1,073 million.

Sources and Uses of Proceeds of the Series 2003A Bonds

The Issuer is issuing the Series 2003A Bonds to pay a portion of the Series 2003A Construction Projects, to fund capitalized interest through June 15, 2004 and to pay the costs of issuing the Series 2003A Bonds. The sources and uses of the proceeds of the Series 2003A Bonds are estimated to be as follows:

Sources:

Par Amount of Series 2003A Bonds	\$216,805,000.00
Net Original Issue Premium	<u>20,719,011.90</u>
Total Sources	<u>\$237,524,011.90</u>

Uses:

Costs of Series 2003A Construction Projects	\$229,513,354.23
Costs of issuance (including underwriters' discount and bond insurance premium)	1,946,648.71
Capitalized Interest through June 15, 2004	<u>6,064,008.96</u>
Total Uses	<u>\$237,524,011.90</u>

Anticipated Future Issuance

The Issuer expects to issue additional series of Bonds in 2006 and 2008, all within the Program Act par amount and debt service caps, in order to accelerate the receipt of Federal Transportation Funds, if any, required for completion of the federally funded portion of the Series 2003A Construction Projects and the design and construction of the New Sakonnet Bridge. The Issuer expects to issue additional series of Motor Fuel Tax Revenue Bonds in 2006 and 2008, all within the Program Act par amount and debt service caps, in order to provide the balance of state matching funds, if any, required for completion of the Series 2003A Construction Projects and the design and construction of the New Sakonnet Bridge.

The actual amount of Additional Bonds to be issued by the Issuer will depend upon several factors, including but not limited to, market conditions, cash flow requirements of the Department for Construction Costs, the availability of other sources of funding to meet such requirements and limitations set forth in the Program Act.

The Issuer also expects to issue bonds, notes or other obligations secured by revenue and funds other than the Trust Estate for other projects which are unrelated to the Construction Projects.

THE SERIES 2003A BONDS

General Description

The Series 2003A Bonds will be issued in the principal amounts and with maturity dates shown on the inside cover page of this Official Statement. The Series 2003A Bonds will be dated as of the date of delivery thereof and shall bear interest from such date, payable on June 15 and December 15 of each year, commencing June 15, 2004. Interest shall be calculated based on a year of 360 days and twelve 30-day months.

As described in "APPENDIX D - BOOK-ENTRY-ONLY SYSTEM," the Series 2003A Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as DTC, or its nominee Cede & Co., is the registered owner of all the Series 2003A Bonds, all payments on the Series 2003A Bonds will be made directly to DTC.

The principal of the Series 2003A Bonds shall be payable in lawful money of the United States of America at the designated corporate trust office of the Paying Agent. J.P. Morgan Trust Company, National Association will initially serve as paying agent and registrar for the Series 2003A Bonds. Payment of the interest on any Series 2003A Bonds shall be made to the person whose name appears on the note registration books of the Trustee as the registered owner thereof (the "Owner") as of the close of business on the first day of the month of the Interest Payment Date (the "Record Date"). Interest will be paid by check or draft mailed to the Owner at the address shown on such registration books. As long as the DTC book-entry system is in effect, Cede & Co. is the Owner and will receive all payments of Bond Payments.

Any such interest not so punctually paid or duly provided for shall cease to be payable to the Owner on such Record Date and shall be paid to the person in whose name the Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the paying agent, notice whereof being given to the Owners not less than 10 days prior to such Special Record Date.

Redemption

The Series 2003A Bonds maturing on or before June 15, 2013 are not subject to optional redemption prior to maturity. The Series 2003A Bonds maturing after June 15, 2013 shall be subject to redemption at the option of the Issuer on or after June 15, 2013, in whole or in part at any time, at a redemption price equal to 100% of the principal amount of Series 2003A Bonds to be redeemed, plus interest accrued to the date fixed for redemption.

Upon the selection and call for redemption of, and the surrender of, any Bond for redemption in part only, the Issuer shall cause to be executed and the Trustee shall authenticate and deliver to or upon the written order of the Owner thereof, at the expense of the Issuer, a new Bond or Series 2003A Bonds of authorized denominations and like tenor, in an aggregate face amount equal to the unredeemed portion of the Bond surrendered.

Effect of Call for Redemption. On the date designated for redemption by notice, the Series 2003A Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Series 2003A 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 Series 2003A Bonds so called for redemption shall cease to accrue, such Series 2003A Bonds shall cease to be entitled to any benefit or security under the Trust Indenture except the right to receive payment from moneys held therefore by the paying agent and the amount of such Series 2003A Bonds so called for redemption shall be deemed paid and no longer Outstanding. A call for redemption may also be conditional as described in "Notice of Redemption" below.

Method of Selecting Series 2003A Bonds for Redemption. Except when registration of the Series 2003A Bonds is maintained pursuant to a book-entry only system, Series 2003A Bonds shall be selected for redemption as follows: (a) in the event that less than all of the Series 2003A Bonds are to be redeemed, the maturities to be redeemed and the method of their selection shall be determined by the Issuer, and (b) in the event that less than all Series 2003A Bonds of a maturity are to be redeemed, the Series 2003A Bonds of such maturity to be redeemed shall be selected by lot in such customary manner as the Trustee shall determine.

Upon the selection and call for redemption of, and the surrender of, any Series 2003A Bonds for redemption in part only, and except when registration of the Series 2003A Bonds is maintained pursuant to a book-entry system, the Issuer shall cause to be executed, authenticated and delivered to or upon the written order of the Owner thereof, at the expense of the Issuer, new Series 2003A Bonds in fully registered form of authorized denominations and like tenor in an aggregate face amount equal to the unredeemed portion of the Series 2003A Bonds surrendered.

Notice of Redemption. During the period that DTC or Cede & Co. is the registered owner of the Series 2003A Bonds, the Trustee shall not be responsible for mailing notices of redemption to the Beneficial Owners of the Series 2003A Bonds. See “APPENDIX D - BOOK-ENTRY-ONLY SYSTEM.”

Any notice of redemption shall be sent by the Trustee not less than thirty (30) days prior to the date set for redemption by registered or certified mail to the registered owner of each such Series 2003A 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 Bond, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Bond with respect to which no such failure or defect has occurred.

Notice of the optional redemption of the Series 2003A Bonds, other than any notice that refers to bonds that are to be redeemed from proceeds of a refunding bond issue, may be given only if either (i) such notice explicitly states that the proposed redemption is conditioned on the deposit of sufficient funds with the Trustee to pay the applicable principal amount, redemption premium, if any, and interest on the Series 2003A Bonds to be redeemed or (ii) sufficient funds have been deposited with the Trustee to pay the applicable principal amount, redemption premium, if any, and interest on the Series 2003A Bonds to be redeemed. If such notice is conditioned on the deposit of moneys on the redemption date, such notice shall be of no effect unless such moneys are so deposited.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Nature of Obligations and Authority

The Bonds are special and limited obligations of the Issuer and are payable from the sources specified in the Trust Indenture. The Bonds and the payment of Bond Payments thereon are not general obligations of the Issuer and are not secured by an obligation or pledge of any money raised by the Issuer through taxation. The Bonds shall not be payable out of any moneys of the Issuer other than the Trust Estate. The Bonds are not obligations, general, special or otherwise, of the State, do not constitute a debt of the State, are not enforceable against the State, nor shall payment thereof be enforceable out of any moneys of the State.

THE 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 ISSUER) AND NEITHER THE FAITH AND CREDIT NOR THE TAKING OR TAXING POWER OF THE STATE OR ANY POLITICAL SUBDIVISION OR MUNICIPALITY THEREOF IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE ISSUER HAS NO TAXING POWER. THE OBLIGATION OF THE STATE TO MAKE PAYMENTS TO THE TRUSTEE FOR DEPOSIT IN THE BOND PAYMENT FUND IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE GENERAL ASSEMBLY.

The Act authorizes the Issuer to issue one or more series of bonds to finance the Construction Projects after the Department has entered into the Federal Aid Agreements with FHWA to reimburse the Department for the federally-eligible costs of such projects. The Department has entered into the Federal Aid Agreements relating to the Series 2003A Construction Projects. Pursuant to the Act, the Issuer will issue the Series 2003A Bonds in anticipation of the receipt by the Department of the federal aid revenues received by or on behalf of, or available to, the Department pursuant to Title 23, any extension of Title 23 or any successor to Title 23 that are legally available for the payment of Bond Payments and Construction Costs (as defined in the Trust Indenture) under the Federal Aid Agreements from FHWA (the "Federal Transportation Funds"). Such Federal Transportation Funds are initially credited by the State to its Intermodal State Transportation Fund (the "ISTF").

Payment to the Trustee of the Federal Transportation Funds from the ISTF is subject to the process described in the Payment Agreement, including annual appropriation by the General Assembly. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Payment Agreement." The Program Act has expressly authorized the Governor, the Director of the Department, the Director of the Department of Administration or the Executive Director of the Issuer to enter into an indenture or other obligations or contracts or agreements and to take such other actions as each such official shall deem necessary or appropriate to issue the Bonds and any Additional Bonds, including without limitation any action to pledge, assign or otherwise transfer the right to receive the Federal Transportation Funds to secure the payment (*i.e.*, the Bond Payments) on such Bonds. The General Assembly, however, is not legally bound to make an annual appropriation of the Federal Transportation Funds to the Trustee, and the Act does not restrict the right of the General Assembly to amend, repeal, modify or otherwise alter the Act or the use of Federal Transportation Funds. The Issuer can give no legal assurance that the General Assembly will annually appropriate the Federal Transportation Funds. The Issuer believes, however, that any failure by the General Assembly to make such appropriations would have a serious impact on the ability of the State and its authorities to raise funds in the public capital markets.

Agreement of the State

In accordance with the Act, under the Trust Indenture, the Issuer includes the pledge and agreement of the State with the Owners of the Bonds that the State will not limit or alter the rights vested in the Issuer by the Act to fulfill the terms of any agreement made with such Owners until such agreements and Bonds with such Owners and interest payment obligations related thereto are fully met and discharged.

Creation of Trust Estate

The Trust Indenture shall constitute a contract between the Issuer and the Owners from time to time of the Bonds, and the pledge, covenants and agreements of the Issuer and Department set forth in the Trust Indenture shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other Bond, except as expressly provided in or permitted by the Trust Indenture. The pledge by the Issuer of the Trust Estate, which consists primarily of all Federal Transportation Funds that are paid to the Issuer or the Trustee in accordance with Title 23, the Federal Aid Agreements, the Payment Agreement and the Act, and amounts on deposit in the Bond Payment Fund, is irrevocable so long as any Bonds are Outstanding under the terms of the Trust Indenture.

Under the Trust Indenture, the Issuer establishes the Bond Payment Fund as a separate account held by the Trustee.

In the Trust Indenture, the Issuer pledges to the payment of the Series 2003A Bonds and any Additional Bonds that may be subsequently issued by the Issuer on a parity therewith (see "Additional Bonds" below), funds on deposit in the Bond Payment Fund. The funds in the Bond Payment Fund shall only be used to pay Bond Payments on and Redemption Price of the Bonds.

The remedies available to the Trustee and the owners of the Series 2003A Bonds upon an Event of Default (as defined in the Trust Indenture) do not include the right to declare all amounts immediately due and payable and are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Such remedies may also not be readily available or may be limited and the legal opinions rendered in connection with this financing will be qualified to the extent that enforceability of provisions of such agreements are affected by such limitations, including as such enforceability may be limited by bankruptcy, insolvency or other laws generally affecting creditors' rights.

Deposits of Federal Transportation Funds as Pledged Funds

The Department has entered into the Federal Aid Agreements with FHWA. Under the provisions of the Federal Aid Agreements, the FHWA has agreed to make payments of Federal Transportation Funds in amounts equal to the Bond Payments, when due, on the Series 2003A Bonds. An Owner of a Series 2003A Bond may not compel the payment of Federal Transportation Funds to the Department. Title 23 provides that such Federal Aid Agreements (1) do not create any right in any party (other than the Department) against FHWA and (2) do not constitute a commitment, guarantee or obligation on the part of the United States to provide for the payment of Bond Payments on the Series 2003A Bonds.

For a discussion of the authorization of Federal Transportation Funds see "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS" and for information concerning the amount of Federal Transportation Funds received and estimated to be received by the Department see "FEDERAL AID REVENUES."

The Payment Agreement

The Governor, the General Treasurer, the State Department of Administration, the Department and the Issuer will be required to enter into the Payment Agreement dated as of November 1, 2003, pursuant to which in each State Fiscal Year in which any of the Series 2003A Bonds remain Outstanding, among other matters, (i) the Governor covenants and agrees to include in the Governor's proposed budget of revenues and appropriations submitted to the General Assembly, an amount equal to the gross appropriation of all Federal Transportation Funds anticipated to be received by the State in each State Fiscal Year; and (ii) upon approval by the FHWA of the Department's request for Obligation Authority for payment by the FHWA of Federal Transportation Funds in an amount equal to the Bond Payments for such State Fiscal Year, State officials agree to follow specific procedures to facilitate the payment on a timely basis of an amount of the Federal Transportation Funds equal to the Bond Payment due on the next Bond Payment Date to the Trustee. The State will also covenant in the Payment Agreement not to request Obligation Authority for any other project until Obligation Authority of the Federal Transportation Funds for the Construction Projects has been authorized. The Payment Agreement may not be amended without the consent of the parties thereto; provided however, that (a) it may not be amended in any way that will materially and adversely impair the ability of the Trustee to make Bond Payments from Federal Transportation Funds or the Security provided for the Bonds under the Trustee Indenture; (b) that any amendment may be made with the consent of not less than a majority in aggregate principal amount of the Bonds then Outstanding obtained in accordance with the terms of the Trust Indenture; and (c) that in no event shall a change to the Payment Agreement (i) to provide for the payment of Additional Bonds or other obligations of the Issuer issued in accordance with the Trust Indenture or (ii) to conform to provisions of State law respecting the process for appropriations or the organization of the government of the State, in either case, be deemed to be materially adverse. See "APPENDIX C – PROPOSED FORM OF PAYMENT AGREEMENT."

Flow of Funds

Funds and Accounts. The Trust Indenture creates the Bond Payment Fund, the Construction Fund and an Earnings Account within the Construction Fund, and a Rebate Fund. The Bond Payment Fund and amounts on deposit in that fund are part of the Trust Estate, but the Construction Fund (including the Earnings Account), the Rebate Fund and amounts on deposit in those funds and accounts are not part of the Trust Estate and, therefore, are not pledged to the payment of the Bonds.

Bond Payment Fund. The Trustee is required to create and maintain separate accounts identified by the appropriate series designation within the Bond Payment Fund to account for the receipt of moneys to pay, and the payment of, the Bond Payments on and Redemption Price of each series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to money in the Bond Payment Fund. The Trustee is required to pay out of the Bond Payment Fund to the Paying Agent:

- (1) on or before each Interest Payment Date for any Bonds, an amount required for the interest payable on such date; and
- (2) on or before each Principal Payment Date for any Bonds, an amount required for the principal payment on such date; and
- (3) on or before any optional redemption date for any Bonds, an amount required for the payment of the redemption price on the Bonds then to be optionally redeemed.

Construction Fund. Proceeds of each Series of Bonds are to be deposited into the Construction Fund and amounts on deposit in the Construction Fund (including the Earnings Account) may be applied by the Issuer to pay costs of issuance and, so long as no payment default has occurred with respect to the Bonds, may be requisitioned by the Department for Construction Costs in the manner provided by the Payment Agreement and the Trust Indenture. In the event of a payment default with respect to the Bonds, the Director of the Department or the Director of Administration may direct, in his or her discretion, that amounts in the Construction Fund (including the Earnings Account) be transferred to the Bond Payment Fund, but no such transfers are required.

Rebate Fund. Amounts may be deposited into the Rebate Fund from Federal Transportation Funds, from amounts in the funds and accounts held under the Trust Indenture or from any other legally available source and, to the extent necessary, are to be applied to make rebate payments to the United States in accordance with the Tax Certificates. Any excess in the Rebate Fund may be transferred to the Bond Payment Fund, the Construction Fund or to the Department.

Federal Transportation Funds. The assignment and pledge of Federal Transportation Funds to the Trustee for the benefit of the Owners of the Bonds under the Trust Indenture constitutes a first lien on the Federal Transportation Funds received by the Issuer or the Trustee. The Federal Transportation Funds received by the Issuer or the Trustee are required by the Trust Indenture to be deposited and used only in the manner and order of priority specified below.

Deposits are first made into the Bond Payment Fund, and amounts on deposit in an account of the Bond Payment Fund may be used only to pay Bond Payments and Redemption Price on the Bonds and for the purposes of the Rebate Fund. Moneys on deposit in the Bond Payment Fund are used to make the following payments or for the following purposes:

Interest Component. To pay the next maturing interest payment on the Bonds;

Principal Payments. To pay the next maturing principal payment on the Bonds.

Redemption Price. To pay the Redemption Price of the Bonds next coming due pursuant to redemption prior to maturity.

Deposits are next made, as necessary, into the Rebate Fund.

Federal Transportation Funds may then be used to pay obligations that do not have a lien on Federal Transportation Funds equal to the lien securing Bonds.

After meeting the foregoing requirements, Federal Transportation Funds may be released free and clear of the lien of this Trust Indenture, if and to the extent (i) not required for Current Payments and (ii) as provided in a certificate of the Department Director approved by the Director of Administration, such amounts are not expected to be needed for any subsequent Bond Payments.

Except for the application required above and for amounts held for the payment of Bonds no longer deemed Outstanding, Federal Transportation Funds need not be retained for any use or in any account described above in excess of the Federal Transportation Funds required for Current Payments if and to the extent such amounts are not expected to be needed for any subsequent Bond Payments.

Covenants Concerning Federal Transportation Funds

Under the Payment Agreement, the Department agrees that, in each year, it will seek (i) an appropriation of all Federal Transportation Funds anticipated to be received, (ii) Obligation Authority for payment of Federal Transportation Funds in an amount equal to the Bond Payments, and (iii) no other obligation of Federal Transportation Funds until Obligation Authority for the Bond Payments has been authorized. In the Trust Indenture, the Department makes covenants to the same effect and further covenants to annually apply for and reasonably cooperate with FHWA in order to receive the greatest amount of Federal Transportation Funds reasonably available to the Department, including amounts sufficient for payment of the Bond Payments and Program Costs. The Trust Indenture further provides that in each year the Department will obligate and draw Federal Transportation Funds, subject to annual appropriation by the State, to make Bond Payments coming due in that year and will not take any action that would result in, or fail to take any action that would prevent, the reduction or withdrawal of Obligation Authority necessary to make Bond Payments. The Department also covenants in the Trust Indenture that the portion of the Federal Transportation Funds necessary to pay the Bond Payments and Program Costs, as and when due, shall neither be budgeted nor expended to pay current or anticipated operational or other expenses of the Department other than Bond Payments and Program Costs.

The Trust Indenture also provides that (i) the Department will (A) comply with its obligations under the Federal Aid Agreements and will take all other actions required to maintain in full force and effect Federal Aid Agreements pursuant to which the FHWA has agreed to make payments of Federal Transportation Funds in an amount at least equal to the Bond Payments due on each Bond Payment Date and (B) take all necessary actions to ensure that each Construction Project at all times qualifies as a Qualified Federal Aid Transportation Project and (ii) the Department covenants that all Bonds are, or will be, eligible debt financing instruments under Title 23 and the payment of Bond Payments and Program Costs are all eligible for payment or reimbursement from Federal Transportation Funds.

See "APPENDIX C - PROPOSED FORM OF PAYMENT AGREEMENT" for the complete provisions of the Payment Agreement, and see "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE - Representations, Covenants and Warranties," for a more detailed discussion of the representations and covenants of the Issuer and the Department contained in the Trust Indenture that relate to Federal Transportation Funds and other matters. For a discussion of how the Federal Transportation Funds are obligated under Title 23, how advanced construction projects are converted and other requirements of Federal law that must be satisfied before FHWA pays Federal Transportation Funds to the Department, see "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS" herein.

Additional Bonds

The Issuer shall not issue any grant anticipation notes, bonds, debentures, other notes or other evidence of indebtedness that are payable out of, or secured by a pledge of, the Trust Estate on a basis senior to the Series 2003A Bonds.

The Issuer may issue, from time to time, one or more Series of Additional Bonds in limited principal amounts for any lawful purpose permitted under the Act, which are payable from and secured by the Trust Estate on a parity with the Series 2003A Bonds and any Additional Bonds that may be

subsequently issued, upon satisfaction of the requirements of the Trust Indenture before such issuance. No Additional Bonds may be issued unless an authorized officer of the Department certifies:

(1) the amount of Federal Transportation Funds either (i) anticipated to be received by the Department during the Federal Fiscal Year in which the proposed Series of Additional Bonds is to be issued, or (ii) received by the Department in either of the two prior Federal Fiscal Years preceding the authentication and delivery of the Series of Additional Bonds then proposed to be issued;

(2) the maximum annual Bond Payments for the Outstanding Bonds in the current and each future Federal Fiscal Year including the Series of Additional Bonds proposed to be issued, but in the case of a Series of Additional Bonds for refunding purposes, excluding the Bond Payments on the Bonds to be refunded; and

(3) that the Federal Transportation Funds set forth in (1) is not less than the Required Coverage (defined below) of the maximum annual Bond Payments for each Federal Fiscal year set forth in (2) above. "Required Coverage" means:

- one hundred fifty percent (150%), for each Federal Fiscal Year that ends on or before the expiration date of the Federal Aid Authorization for Title 23 then in effect (which date, at the time of the adoption of the Trust Indenture through and including September 30, 2009, is deemed for all purposes related to the issuance of Additional Bonds to be no sooner than September 30, 2009), and
- three hundred percent (300%), for each Federal Fiscal Year that ends after the expiration date of the Federal Aid Authorization for Title 23 then in effect.

In addition, an authorized officer must certify that the Department has no information which indicates that Federal Transportation Funds will not be available to the Department during the term of the Federal Aid Authorization then in effect in amounts sufficient to pay, when due, Bond Payments on the Bonds to be Outstanding during such term.

The requirements of paragraphs (1), (2) and (3) above may be waived upon the Issuer's receipt of written evidence from each Rating Agency then maintaining an unsecured rating on the Outstanding Bonds, to the effect that such waiver will not by itself result in the withdrawal or reduction of any such unsecured rating by such Rating Agency.

The Issuer may also issue Additional Bonds without complying with paragraphs (1), (2) and (3) above for the purpose of refunding in whole or in part any Bonds Outstanding under the Trust Indenture, provided that the Issuer certifies that: (a) the annual Bond Payments for all Bonds Outstanding immediately after the issuance of such proposed Refunding Bonds (including Bond Payments on the Refunding Bonds, but excluding Bond Payments on refunded Bonds) for the current and each future Federal Fiscal Year to and including the Federal Fiscal Year of the latest maturity on any Bonds then Outstanding is no greater than (b) the annual Bond Payments for all Bonds Outstanding immediately prior to such issuance during the same Federal Fiscal Years. If the Issuer cannot satisfy the requirement of the preceding sentence, the Issuer may nevertheless issue Additional Bonds for the purpose of refunding Bonds upon compliance with the test described in the preceding paragraphs (1), (2) and (3).

For further discussion of issuance of Additional Bonds, see "APPENDIX B - SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE – Additional Bonds."

Credit Facilities and Interest Rate Exchange Agreements

Notwithstanding any other provision of the Trust Indenture, (i) the Issuer may purchase or arrange for a Credit Facility to secure any Bonds and may agree to reimburse the provider for any draws to make Bond Payments on a parity with or on a basis subordinate to the payment of Bond Payments and (ii) to the extent permitted by law, the Issuer may purchase or arrange for an Interest Rate Exchange Agreement with

respect to any Bonds and may agree to make payments to the provider of an Interest Rate Exchange Agreement, which may be on a parity with or on a basis subordinate to the payment of Bond Payments.

Defeasance

If the Issuer pays or causes to be paid, or there is otherwise paid, to the Owners of all outstanding Bonds or Series 2003A Bonds of a particular maturity or a particular Series 2003A Bond within a maturity, the principal and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Trust Indenture, such Bonds or Series 2003A Bond, as applicable, will cease to be entitled to any pledge, benefit or security under the Trust Indenture, and all covenants, agreements and obligations of the Issuer to the Owners of such Bonds or Series 2003A Bond, as applicable will thereupon cease, terminate and become void and be discharged and satisfied.

Subject to the provisions of the Trust Indenture, any outstanding Bonds will be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if there has been deposited with an escrow agent appointed for such purpose either money in an amount which will be sufficient, or Defeasance Securities as prescribed in the Trust Indenture, the principal of and the interest on which, when due, will provide money which, together with the money, if any, deposited with the escrow agent at the same time, will be sufficient to pay when due the principal and interest due and to become due on such Bonds on or prior to the maturity date thereof. See "Defeasance" in "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE."

BOND INSURANCE

The following information has been furnished by Financial Security Assurance Inc. ("Financial Security") for use in this Official Statement. These provisions should be read in conjunction with this Official Statement as a whole. The Issuer and the Underwriters do not make any representations regarding these matters. Reference is made to "APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY" and, with respect to special provisions for Financial Security, "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE – Provisions Relating to Insured Series 2003A Bonds."

Bond Insurance Policy

Concurrently with the issuance of the Series 2003A Bonds, Financial Security will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing on June 15 of the years 2009 through 2015, inclusive (the "Insured Series 2003A Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2003A Bonds when due as set forth in the form of the Policy included as Appendix F to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately \$2,021,327,000 and its total unearned premium reserve was approximately \$1,281,769,000 in accordance with statutory accounting practices. At September 30, 2003, Financial

Security's total shareholders' equity was approximately \$2,208,123,000 and its total net unearned premium reserve was approximately \$1,098,686,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Series 2003A Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2003A Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2003A Bonds or the advisability of investing in the Insured Series 2003A Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

General

The Issuer 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. The Issuer is empowered, among other things, to issue its bonds and to loan or otherwise make available the proceeds thereof to various borrowers in the State, including to the Department for the Construction Projects, for the acquisition, ownership, operation, construction, reconstruction, rehabilitation, improvement, development, sale, lease, or other disposition of, or the provision of financing of, any real or personal property, of any facility to promote the economic development of the State and the general welfare of its citizens.

The Issuer Act declares that it is the policy of the State to promote a vigorous and growing economy, to prevent economic stagnation and to encourage the creation of new jobs in order to ameliorate the hazards of unemployment and achieve a stable and diversified economy.

Certain State laws require information be provided to the General Assembly concerning bond issues by the Issuer, including the issuance of the Series 2003A Bonds. Failure by the General Assembly to pass, within the specified statutory period, a concurrent resolution of disapproval regarding the issuance of such bonds is deemed to be an approval under such laws. The Issuer and the Department have obtained, or prior to the delivery of the Series 2003A Bonds, will have obtained all required approvals under such laws for the issuance of the Series 2003A Bonds.

The Series 2003A Bonds are being issued in full compliance with the Act. The Issuer is authorized to enter into the Trust Indenture to issue the Series 2003A Bonds and to secure the Series 2003A Bonds by a pledge of the Trust Estate.

The Issuer Act provides that all of the powers of the Issuer are vested in a Board of Directors consisting of twelve (12) standing members. The Governor serves as member of the Board and as chairperson, ex-officio (who shall vote only in the event of a tie). The membership of the Board consists of seven (7) standing public members to be appointed by the Governor, with the advice and consent of the Senate, two (2) members from the House of Representatives to be appointed by the Speaker of the House, one of whom is from the minority party, one (1) member from the Senate who will be appointed by the President of the Senate, and one (1) member of the minority party from the Senate who shall be appointed by the President of the Senate. Generally, the members serve for four-year terms. Legislative members

serve until the expiration of the balance of the legislative term they are serving at the time of their appointment to the Board and thereafter until their successors are appointed to the Board and are qualified. The Chairperson designates a Vice Chairperson who serves at the pleasure of the Chairperson. The Executive Director of the Issuer is its Chief Executive Officer. The Board of Directors appoints a Secretary who need not be a member of the Board of Directors. All members serve without compensation but are entitled to reimbursement for necessary expenses incurred in performance of their duties related to the Issuer Act.

Directors and Officers

The Directors and Officers of the Issuer are:

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

Frank J. Montanaro. Mr. Montanaro serves as Vice Chairman of the Board of Directors. His appointment as a member is through February 1, 2005. Mr. Montanaro is President of the Rhode Island AFL-CIO.

Keith Stokes. Mr. Stokes serves as Treasurer of the Board of Directors. Mr. Stokes has been appointed as a member of the Board of Directors through February 1, 2004. Mr. Stokes is the Executive Director of the Newport County Chamber of Commerce.

The Honorable Melvoid J. Benson. Representative Benson serves as a member of the Board of Directors until her successor is appointed. She is a member of the Rhode Island House of Representatives, and was a teacher in the North Kingstown public school system until her retirement.

The Honorable Keven A. Breene. Senator Breene serves as a member of the Board of Directors until his successor is appointed. Senator Breene is a member of the minority party of the Senate.

Barbara Jackson. Ms. Jackson has been appointed as a member of the Board through February 1, 2007. Ms. Jackson is an entrepreneur and has served as a senior official in the Office of the Comptroller for the City of New York.

Joshua Miller. Mr. Miller has been appointed a member of the Board through February 1, 2004. Mr. Miller is the small business representative on the Board.

Jose V. Monteiro, Jr. Mr. Monteiro has been appointed as a member of the Board of Directors through February 1, 2005. Mr. Monteiro is a vice president of Fleet Bank.

Douglas Sgarro. Mr. Sgarro has been appointed as a member of the Board of Directors through February 1, 2007. Mr. Sgarro is Senior Vice President and Chief Legal Officer of CVS Corporation.

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

The Honorable Joseph A. Trillo. Representative Trillo serves as a member of the Board of Directors until his successor is appointed. He is a member of the minority party of the Senate.

The Honorable William A. Walaska. Senator Walaska serves as a member of the Board of Directors until his successor is appointed. He is a member of the Senate.

Other officers of the Issuer are:

Michael McMahon, Executive Director

Robert I. Stolzman, Secretary

Other Indebtedness

As of June 30, 2003, the Issuer and its subsidiaries had approximately \$396,026,242 in revenue bonds outstanding. Certain of the bonds of the Issuer other than the Series 2003A Bonds may be secured, in addition to a pledge of revenues, by a capital reserve fund established by the Issuer. Neither the revenues pledged to secure other bonds nor the capital reserve fund established by the Issuer for other Issuer bonds secures the Series 2003A Bonds; nor does the Trust Estate secure other bonds of the Issuer.

INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS

The Federal-Aid Highway Program

The Federal-Aid Highway Program (FAHP) is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states, such as the Interstate Maintenance Program, the Bridge Program, the National Highway System Program, and the Surface Transportation Program. The Federal Highway Administration (FHWA) is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the federal Highway Trust Fund. The primary source of revenues in the federal Highway Trust Fund is derived from the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

Certain FAHP features or requirements are explained or further defined where they appear below but are introduced here for reference:

- *The federal Highway Trust Fund (the "HTF"):* The HTF is a dedicated federal fund with dedicated revenues held in trust for reimbursement of expenditures by the states for costs of eligible transportation projects, including highway projects.
- *Authorization:* "Authorization" is the process by which Congress authorizes the expenditure of federal revenues on federal programs. For the FAHP, authorization historically has been provided on a multi-year basis. This, together with the availability of HTF revenues and future HTF collections permits states more certainty in planning long-term highway projects. However, the current authorization is for a five month period, which ends on February 29, 2004. See "STE A 2003" below.
- *Apportionment:* For each Federal Fiscal Year ("FFY"), the FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of federal funds that do not have a statutory formula is called "allocation" rather than "apportionment."
- *Obligation Authority:* "Obligation" is the commitment of the federal government to pay, through reimbursements to a state, its share of the eligible expenditures on an approved project. The amount of such federal revenues that a state can obligate in a given FFY is called its "Obligation Authority."
- *Advance Construction:* The Advance Construction procedure allows states to commence eligible projects without first having to obligate the federal government's share of expenditures. Thus, states may begin a project before amassing all of the Obligation Authority needed to cover the federal government's share. Each of the Series 2003A Construction Projects are expected to be Advance Construction Projects.

- *Partial conversion of Advance Construction:* Under partial conversion of Advance Construction, in a given year a state may convert A/C to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an Advance Construction project in that or in a subsequent FFY. This removes any requirement for the state to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the FAHP work in a complementary fashion to provide a regular flow of federal reimbursements over the years to state highway projects.

The participation of the State in such reimbursements, and the role of such participation in providing payment and security for the Bonds, is discussed in "FEDERAL AID REVENUES."

It should be noted that the terms and conditions of participation in the FAHP as described herein are subject to change at the discretion of Congress, and there can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that may adversely affect the ability of the State to receive adequate Federal Transportation Funds to pay the Bond Payments on the Bonds.

Although FHWA provides funding for eligible highway projects, federal-aid highways are under the administrative control of the state or local government responsible for their operation and maintenance.

Title 23, United States Code, entitled "Highways", includes most of the laws that govern the FAHP arranged systematically or codified. Generally, Title 23 embodies those substantive provisions of highway law that Congress considers to be continuing and which need not be reenacted each time the FAHP is reauthorized. Periodically, sections of Title 23 may be amended or repealed through surface transportation acts.

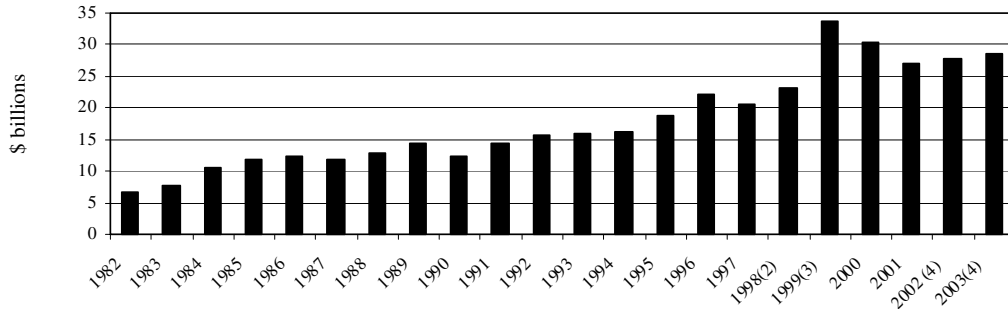
Federal Highway Trust Fund

The FHWA administers payments to states under the FAHP through the HTF. Funded by collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a dedicated fund with dedicated revenues that are held in trust for reimbursement of the states' cost of transportation projects, including highway projects. The HTF presently contains the Highway Account and a Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel tax revenues, with the remaining share of such revenues deposited in the Mass Transit Account. Using revenues in the Highway Account of the HTF, the FHWA reimburses states for expenditures related to approved highway projects. The FHWA distributes these revenues to states based on apportionment and allocation rules prescribed by federal law.

Current law requires that the cash balance of the Highway Account of the HTF, plus projected revenues for the next two years, must suffice to repay all unpaid authorizations before any additional apportionments of revenues can be made from the HTF. As a result, and unlike most federal programs, the flow of federal funding to states for highway projects does not depend on timely appropriation of revenues by Congress.

Federal gasoline excise taxes are the largest revenue source for the HTF. The majority of these tax revenues, including 15.4 cents per gallon out of the current 18.4 cents per gallon tax, go to the Highway Account. The following table shows annual and projected HTF collections in the Highway Account for the period FFY 1982 to FFY 2003.

Payments into the Highway Account of the Highway Trust Fund ⁽¹⁾
Federal Fiscal Years 1982-2003 (in billions)



SOURCE: FFY 1982-2001, FHWA, Highway Statistics (2001) Table FE-210; FFY 2002-2003, U.S. Treasury Notice PO-3085 (May 9, 2002).

- (1) Exclusive of Interest Earnings
- (2) Reflects the redirection of 03.44 cents of the Gas Tax from deficit reduction to the Highway Account of the HTF.
- (3) FHWA estimates that \$5.0 billion in FFY 1998 receipts were not received until FFY 1999 due to the Tax Payer Relief Act of 1997. Accordingly, adjusted FFY 1998 receipts would be \$28.1 billion and adjusted FFY 1999 receipts would be \$28.7 billion.
- (4) Estimated.

The HTF Balance. Since 1956, the Highway Account of the HTF has accumulated a surplus of revenues because more revenues have been generated for the account through collections and interest income than have been distributed to states under the FAHP. TEA 21 established an opening balance of \$8.0 billion for the Highway Account of the HTF, effective October 1, 1998. The HTF is required under current federal law to maintain a positive balance to ensure that prior commitments for federal revenues can be met. This requirement allows states the flexibility to earn and receive reimbursement revenues for up to four years after federal funds first were obligated.

Reauthorization of HTF Collections. Collection of HTF taxes (“HTF collections”), like the FAHP itself, must periodically be reauthorized by Congress. Historically, the HTF and its constituent taxes have been authorized to operate for limited periods of time. Originally, the HTF was authorized through June 1972; it has been reauthorized several times. Most recently, TEA 21 authorized HTF collections through FFY 2005, and the transfer of the taxes to the HTF through June 30, 2006.

History

The modern FAHP originated in the Federal-Aid Highway Act of 1956. The FAHP initially was established as a pay-as-you-go system, meaning that costs of constructing and maintaining the system were to be borne primarily by its users, who would pay a federally-imposed tax on motor fuels. Federal user fees were to provide 90% of the cost of construction, with the remainder paid for by the states.

The Federal-Aid Highway Act of 1956 was the first of a long series of authorizing statutes for the FAHP. Extensions of the act were passed in 1958, 1959, 1960, 1961, 1962, 1964, 1966, 1968, 1970, 1973, 1974 and 1976; in each case the statute was known simply as the Federal-Aid Highway Act. The 1965 Highway Beautification Act made minor additions and changes to the program, as did the Highway Safety Act of 1973. The 1978 Surface Transportation Act and the Federal-Aid Highway Act of 1981 were also primarily extensions of existing authority. TEA 21, which expired on September 30, 2003, and its immediate predecessor, the Intermodal Surface Transportation Efficiency Act of 1991 (“ISTEA”), are the most recent multi-year authorizing statutes. The current authorizing statute, the Surface Transportation

Efficiency Act of 2003 (“STEPA 2003”), which expires on February 29, 2004, was passed by Congress on September 26, 2003 and is seen as an interim reauthorization.

The 1982 Surface Transportation Assistance Act (“STAA”) made notable changes to the FAHP, and began the modern multi-year (*i.e.*, four or more years) authorizing process. STAA also guaranteed each state a minimum 85% return on the money paid in by highway users of the state. Such “equity provisions” have continued in all subsequent authorizing legislation to date, and operate to compensate so-called “donor states,” whose historic highway funding levels have been below their collections for the HTF.

In 1991, ISTEA broadened the focus of the FAHP, changed its structure significantly and created several new funding categories. ISTEA also gave state and local governments far greater flexibility in determining their transportation infrastructure priorities, whether transit or highways, and for the first time allowed significant flexibility to redirect federal revenues among programs. ISTEA also authorized innovative approaches to federal-aid highway funding, including the use of private sector funding sources for transportation improvements. Innovative financing procedures were authorized and encouraged, and states were authorized to augment federal revenues with alternate sources of revenues.

The National Highway System Designation Act of 1995 (the “NHS Act”) designated the National Highway System to include the Interstate System as well as other roads important to the nation’s economy, defense, and mobility. The NHS Act made several changes affecting the financing of federal-aid highway projects, including Advance Construction procedures:

- Standard federal highway financing practices require states to have sufficient Obligation Authority before they begin a highway project. If a state has many projects or a particularly large project, they may be unable to provide enough Obligation Authority to get federal approval to begin specific projects. To avoid delays in projects that are eligible for federal funding, the FHWA may approve Advance Construction (“A/C”) for a project if the state can provide 100% of the costs up-front.
- Under Advance Construction procedures prior to the NHS Act, only when a state had amassed sufficient Obligation Authority to cover the federal share of a project’s total costs could it convert the project from Advance Construction to Obligation Authority and be reimbursed for the federal share. The NHS Act removed the requirement that states must amass Obligation Authority equal to the full federal share before reimbursement could occur. Partial conversion now allows a state to be reimbursed for a portion of the federal share of the project’s total costs as Obligation Authority becomes available each year and costs are expended.

In addition, the FHWA has issued guidelines for debt-financed federal-aid highway projects. Key provisions of these guidelines are:

- Debt-financed projects are subject to requirements of Federal Clean Air Act and federal air quality conformity requirements, discussed below under “Regional Planning and Air Conformity.”
- A state may make arrangements with the FHWA Division Office regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements could be received shortly before the debt service payment date.
- A state may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA.

TEA 21. TEA 21, which became law on June 9, 1998 and was amended on July 22, 1998, extended the authorization of the FAHP through FFY 2003. TEA 21 expired on September 30, 2003. According to the FHWA, under TEA 21 average annual authorizations for highway aid to the states for

FFY 1998 through FFY 2003 are approximately \$28.5 billion, as indicated in the table below (which shows figures by FFY and in billions of dollars):

1998	1999	2000	2001	2002	2003	Average
\$23.8	\$28.2	\$28.7	\$29.5	\$30.0	\$30.6	\$28.5

Source: Financing Federal-Aid Highways, Publication No. FHWA-PL-99-015, August 1999 (available on FHWA website).

TEA 21 increased equity protections by assuring each state at least 90.5% of its proportional share of apportioned programs, based on its percentage contribution to HTF receipts, which were reauthorized through FFY 2005. TEA 21 also includes a provision known as Revenue Aligned Budget Authority (“RABA”) which requires that HTF revenues be spent on transportation-related improvements, rather than allowed to accumulate into large surpluses. To this end, TEA 21 set yearly minimum guaranteed funding levels for the authorization period, which are based on annual HTF revenues.

TEA 21 also provided that interest will no longer accrue on funds in the Highway Account and that as of October 1, 1998 (the start of FFY 1999), the opening balance of the Highway Account of HTF would be set at \$8.0 billion. According to the FHWA Office of Fiscal Services, this amendment reduced the HTF balance by approximately \$7 billion, but will not affect the solvency of the HTF because actual annual funding levels will be based on the previous year’s HTF revenues.

STE A 2003. STEA 2003 extended the authorization of the FAHP for a five-month period ending February 29, 2004 at level of \$14.1 billion for highways. On an annualized basis, should the FAHP be reauthorized through September 30, 2004, this would result in total funding for FFY 2004 at a level of approximately \$33.8 billion. *There is no guarantee, however, that the FAHP will be reauthorized for the remainder of the Federal Fiscal Year at the same level set forth in STEA 2003.* A Continuing Resolution, however, also effective on October 1, 2003, limits state transportation agencies to one month’s highway funding at the Federal Fiscal Year 2003 level (\$2.6 billion for October, 2003). *There is no guarantee that a new Continuing Resolution will be adopted effective November 1, 2003 and through February, 2004, or for any period thereafter.* The Department has been informed by FHWA that its Obligation Authority for the period October 1, 2003 through February 29, 2004 and Apportionment for October, 2003 shall be \$75,513,538 and \$15,067,634, respectively.

Operations

The present FAHP continues to reimburse a large percentage of state expenditures for approved highway projects. The financial assurance provided by the FAHP is unusual among federal programs in that:

- The FAHP is based on dedicated revenues, from a user-tax source, deposited in a dedicated trust fund (the HTF);
- The budget and contract authority of the FHWA is typically established by a multi-year authorization act rather than annually through appropriation acts; and
- Contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs).

The process for reimbursing state expenditures may be summarized in three steps: authorization, obligation and program implementation. The authorization step is the most critical step in establishing overall spending authority for federal highway funding. Authorizing legislation extends the life of the FAHP and the collections that fund the HTF, sets FAHP objectives and provides formulas for determining the distribution or apportionment of available resources among the states. The existence of the dedicated revenues in the Highway Account of the HTF and the existence of multi-year (or under STEA 2003, multi-month) contract authorizations are designed to help to make available a predictable and uninterrupted flow of reimbursements to the states. The risk of contract authority lapsing between authorizing acts is minimal

since sufficient unobligated balances generally exist that cover gaps in coverage between multi-year (or multi-month) reauthorization acts.

The second step, obligation, is the process through which states make use of, or “obligate,” the contract authority that has been apportioned or allocated to them in the authorization process (Step 1). Congress typically limits the amount of Obligation Authority that states may use annually. To whatever extent that a state’s Obligation Authority is set below its authorization, the unobligated balance for that state is increased. These unobligated balances provide available funds, from which the FHWA allows states to draw, when there is a lapse period between authorization acts. But under current law the unobligated balances do not otherwise entitle the states to additional funds.

The third step, program implementation, leads to actual receipt of federal funds by states. FAHP implementation methods vary state-by-state. States are permitted to make use of Advance Construction—A/C—and partial conversion of Advance Construction in order to obligate varying amounts of federal funds to an eligible project from FFY to FFY, depending on how much of the state’s Obligation Authority is available from the FAHP and is desired for such use by the state.

Step 1: Authorization

The first step, and the most crucial in financing the FAHP, is the multi-year (or under STEA 2003, multi-month), authorizing legislation. Such highway authorization acts:

- Establish the taxes that fund the HTF and extend their life (reauthorization);
- Establish the specific programs and procedures through which states receive federal financial assistance for their highway programs; and
- Set upper limits on funding for specific programs and for the overall FAHP.

Multi-year Authorization Acts. As noted earlier, the FAHP since 1982 has been periodically reauthorized on a multi-year basis by authorization acts, through which Congress influences the level of federal involvement in state highway program activities. There is no guarantee, however, that reauthorization of the FAHP will occur on a multi-year basis. In fact, the current reauthorization, STEA 2003, is for a five-month period ending February 29, 2004. Annual appropriations acts then establish any limits on the amount of federal funds that the FHWA may obligate to states in a given year.

Budget and Contract Authority. All federal programs require budget and contract authority before revenues may be committed and spent. Normally this authority is provided through a two-step process, with authorizing legislation describing the purposes for a specific program and setting a proposed level of spending, and appropriations acts providing the budget authority or legal ability to spend federal revenues. Appropriations are often for a lower amount than that set by authorizations. The FAHP combines these two steps, with authorizing legislation providing the United States Secretary of Transportation with contract authority or the legal ability to enter into binding contracts with state transportation departments (“DOTs”) and other bodies specified in the FAHP.

Contract authority provides state DOTs with assurance about the level of future federal revenues that will be available. This, in turn, makes it easier and more cost-effective to plan and execute multi-year construction projects. As a result of contract authority and the collection of user taxes into the dedicated HTF, the formal appropriation by Congress of revenues on an annual basis generally has been non-controversial. Constraints arising from the annual appropriation process are described in Step 2 below.

Lapsing of Authorization. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. Indeed, for most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization caused when Congress

fails to enact reauthorization legislation are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that the FHWA usually can continue to provide Obligation Authority by administrative action.

Though recent multi-year federal surface transportation legislation has authorized the Federal-Aid Highway Act for four to six years at a time, there occasionally have been periods in which the previous authorizing legislation had expired and the future multi-year legislation had yet to be enacted. In such circumstances, including the current period, Congress and/or the FHWA have found ways to avoid disruptions to state highway programs and, more importantly, have been able to maintain the flow of federal revenues to states in each instance. Two mechanisms in particular have kept revenues flowing:

- Access to Unobligated Balances: The 1987 Surface Transportation and Uniform Relocation Assistance Act (“STURAA”) expired on September 30, 1991 and ISTEA was not enacted until December 18, 1991. The FHWA was able to act administratively to keep federal-aid funding flowing because states could use their unobligated balances to provide Contract Authority to use new Obligation Authority.
- Short-Term Authorization: ISTEA expired on September 30, 1997 and until approval of TEA 21 on June 9, 1998, no new long-term authorization legislation was enacted. Despite the lack of long-term authorizing legislation, states were provided an upper limit on Obligation Authority through passage of an appropriations act plus access to their unobligated balances. On November 13, 1997 Congress passed the Surface Transportation Extension Act of 1997 (“STEA”), which provided a six-month authorization for highway funding and established a limit on the amount of new Obligation Authority states can use at funding levels equal to about a quarter of FFY 1997 authorization levels. Similarly, TEA 21 expired on September 30, 2003 and no new long-term authorization has yet to be enacted. However, STEA 2003 reauthorized the FAHP for five months, to February 29, 2004, and a Continuing Resolution provided one month’s additional funding for the FAHP. A Continuing Resolution is a joint resolution enacted by Congress and signed by the President, when the new federal fiscal year is about to begin or has begun, to provide budget authority for federal agencies and programs to continue in operation until appropriation acts are enacted.

From October 1, 1997, the expiration of ISTEA, through November 13, 1997, the passage of the STEA authorization, the FHWA was able to continue funding the FAHP through use of large unobligated balances (unused contract authority) in the FAHP. Since most states have unobligated balances of at least half their normal annual Obligation Authority levels and an authorization act need not be in place for the FHWA to give states new Obligation Authority, states were able to spend down prior unfunded federal apportionments (contract authority) with newly allocated Obligation Authority. The lack of an enacted authorization act during this period did not pose a threat to the continued flow of revenues, because dedicated highway user fees continued to flow into the HTF. (See Step 2, below, for further explanation of Obligation Authority and unobligated balances.)

Annual Distributions. For most components of the FAHP, the authorization acts set the distribution of spending authority among states. The primary methods used to distribute authorized federal highway revenues are “apportionment” and “allocation”:

- Apportionments. The contract authority created by authorization acts such as ISTEA or TEA 21 is distributed annually among the 50 states, the District of Columbia, and Puerto Rico using a process called apportionment of revenues. Apportionments indicate the maximum amount of contract authority that each state can expend for eligible projects in specific programs. For each FFY, the FHWA has responsibility for apportioning authorized funding for the various programs among the states according to formulas established in the authorizing statute. Annual apportionments are generally made on the first day of the federal fiscal year, which is October 1.

- Allocations. While most highway revenues are distributed to states through apportionments, some funding categories do not contain legislatively-mandated apportionment formulas. Distribution of revenues where there are no statutory formulas is called “allocation” or “discretionary allocation”. In most cases, allocated federal funding is divided among states using criteria determined administratively by the federal Department of Transportation or as provided in a statute, often through competitive grant procedures.

Apportionment formulas have been designed historically to ensure distribution of federal revenues among states according to program needs, but are also increasingly intended to provide states a share of total HTF expenditures relatively close to their payments into the HTF.

Since FFY 1991, each annual aggregate apportionment has exceeded \$15 billion, and beginning in FFY 1998, has increased from \$21.5 billion to \$29.5 billion in FFY 2002. (Source: The FHWA, Highway Statistics, (1997 through 2001) Table FA-4.) The FHWA estimates that Highway Account income over the six-year period FFY 1998-2003 would be \$169.8 billion; combined with the opening balance under TEA 21 of \$8.0 billion, this would yield resources of \$177.8 billion for the FAHP. TEA 21 authorized an annual average of approximately \$28.5 billion for FFY 1998 through FFY 2003. STEA 2003 authorized a monthly average of approximately \$2.8 billion for October, 2003 through February, 2004.

Availability of Federal Highway Revenues. Federal-aid highway revenues are available to states for use for more than one year. Their availability does not terminate at the end of the FFY, as is the case with many other federal programs. Consequently, when new apportionments or allocations are made, the amounts are added to a state’s unused apportionments and allocations from the previous FFY. Should a state fail to *obligate* (commit to spend) a year’s apportionments and allocations within the period of availability specified for a given program, however, the authority to obligate any remaining amount lapses—that is, it is no longer available except for a few programs which receive indefinite, or “no-year” Obligation Authority.

Matching Requirements. With a few exceptions, the federal government does not pay for the entire cost of construction or improvement of federal-aid highways. Federal reimbursements are typically matched with state and/or local government revenues to account for the necessary dollars to complete the project. The maximum federal share is specified in the legislation authorizing the program. Most projects have an 80% federal share while Interstate Construction and Maintenance projects typically have been funded with a 90% federal share.

Step 2: Obligation

The second step of the federal-aid funding process occurs when revenues that have been authorized by legislation, and either apportioned or allocated to individual states, are obligated for a specific purpose. As noted in the previous section, Congress uses annual appropriations acts to control actual annual obligation of funds in the HTF. Appropriations acts limit the amount of federal money that actually will be obligated and thus ultimately spent, and these annual amounts may be less than the authorized amount. This ceiling on the amount of contract authority that states may use is called the “annual obligation limit.”

Obligation is the commitment of the federal government to pay, through reimbursement to a state, the federal government’s share of an approved project’s eligible costs. This process is important to the states because it allows states to award contracts with assurance that the federal government will reimburse its share of incurred costs. From the federal perspective, obligations made are the outlays the federal government has committed to make from the HTF in the future. Because of the close relationship between obligations and outlays, Congress and the FHWA play a strong role in determining how much federal funding can be obligated by individual states through two primary processes:

- Appropriations acts; and
- Distribution of Obligation Authority.

Appropriations Acts. Congressional appropriations committees use the amount of federal-aid highway revenues that states can obligate in a given year, called “Obligation Authority”, as a means of balancing the annual level of highway spending with other federal budgetary priorities. This is accomplished through the establishment of an annual obligation limitation in the annual Department of Transportation and Related Agency Appropriations Act. The annual obligation limitation can be less than the level of funding authorized for the same year, although the creation of budgetary firewalls and RABA in TEA 21 substantially limited the amount of HTF revenues that can be used for non-highway purposes.

Distribution of Obligation Authority. The obligation limitation is the amount of authorized funding that Congress allows states collectively to obligate in an individual year. Under TEA 21, the annual obligation limitation included two elements – a large portion protected by firewalls and tied to projected HTF receipts through RABA (roughly 90% of total annual contract authority), and a smaller portion that competes with other discretionary budget priorities for funding (less than 10% of total annual contract authority). Beginning in FY 2000, the level of Obligation Authority protected by firewalls is established each year as the guaranteed obligation limitation in TEA 21, adjusted by the difference between HTF revenue estimates made for TEA 21 and new Department of Treasury projections. Additional, discretionary Obligation Authority is determined when annual appropriations bills are developed and is counted under Congress’ annual spending cap, which is the amount of federal dollars that can be spent on all domestic, non-entitlement programs in a given year. The combined total may still be below the authorized annual level, and serves as a limit on the total obligations in that particular year.

Once Congress establishes an overall obligation limitation, the FHWA distributes Obligation Authority to states proportionately to each state’s share of apportioned and allocated revenues to include minimum guarantee allocations that bring donor states up to the minimum 90.5% funding level. The actual ratio of Obligation Authority to apportionments and allocations may vary from state to state because some federal-aid programs are exempt from the obligation limitation. Once each state’s Obligation Authority is set, states then submit requests to the FHWA to obligate revenues representing the federal share of specific projects throughout the years. (A further description of this process is included in Step 3.) As a state obligates revenues, its balance of Obligation Authority is commensurately reduced, although additional Obligation Authority may be received (e.g., via re-allocation from other states).

A state’s Obligation Authority (unlike its apportionments and allocations of authorized funding) must be used before the end of the FFY for which it is made available; if not, it will be distributed to other states. The FHWA closely monitors each state’s plans for use of Obligation Authority. In mid-summer, the FHWA collects any Obligation Authority from states that do not plan to obligate all of their available Obligation Authority before the end of the FFY, and redistributes it to other states that can obligate the revenues. This reallocation of Obligation Authority is known as the August redistribution.

Unobligated Balances. Because congressional authorization of federal-aid highway revenues represents a commitment to make all authorized revenues available to states for highway purposes, any shortfall between the limit on Obligation Authority created through the annual appropriations process and the amount of contract authority apportioned and allocated to states does not disappear. Instead, the difference between obligation limitations and authorization levels creates what are known as “unobligated balances.”

Although most federal-aid apportionments lapse after four years, this rarely happens with apportioned highway revenues because old apportionments are always spent before new apportionments. That is, when a state receives new apportionments and Obligation Authority at the beginning of a FFY, obligations are first made against remaining prior year apportionments plus allocation until these are depleted. The net effect of this process, in conjunction with the year-to-year establishment of obligation limitations, has been that states have amassed considerable unobligated balances.

As explained in Step 1, above, unobligated balances permit the FAHP to continue to fund state highway projects during periods in which Congress fails to enact a reauthorization law before the

expiration of the previous authorization period. In such periods, the unobligated balances allow states to continue to fund their programs for several months, or even longer, after an authorization act has expired.

Step 3: Program Implementation

The third and final step in the overall federal-aid highway funding process—program implementation—occurs after authorized revenues have been distributed to states, and after states have had the opportunity to obligate those revenues. Once federal-aid highway revenues have been authorized and obligated, states must have developed highway programs that describe, at a project-by-project level, exactly how federal reimbursements will be earned. The process of developing and implementing state highway programs has three broad stages:

- Budgeting;
- Planning and programming; and
- Fiscal management and reimbursement.

Each stage helps to ensure that states develop programs which match funding availability, and that the FHWA is able to distribute federal reimbursements to states in a timely manner.

Budgeting. Budgetary information about availability of funding is crucial to the development of state highway programs. Projected state and federal funding levels are used to budget transportation needs. Consequently, state transportation budget officials track the availability of funding and develop forecasts of future state and federal revenues. States must estimate the availability of short and long-term state and federal funding in order to plan their highway programs. They use this information as a guide during long-range planning, and as a strict constraint on short-term programming. In Rhode Island, the Department and State Budget Office within the Department of Administration have primary responsibility for budgeting.

Planning and Programming. The budget process—particularly the identification of available funding—provides the context for transportation planning and programming. The long-range planning process provides a perspective of anticipated project needs regionally across the state. The TIP follows from the long-range plans and provides a detailed listing of projects that are proposed for implementation in a time-frame of two years. The Department of Administration, Statewide Planning Program coordinates transportation planning and programming activities for the State Planning Council (“SPC”), the designated Metropolitan Planning Organization for the State. The Department actively participates in the planning activities and services as the implementing agency for highway program projects. At the federal level, the development of state highway plans is overseen by the FHWA and reviewed for conformity with the Clean Air Act by the Environmental Protection Agency (“EPA”).

As a condition for receiving federal reimbursements for transportation programs, states must develop comprehensive transportation plans that are based on anticipated long-term state and federal funding levels for FAHP categories. States and urban areas must satisfy these federal requirements in order to remain eligible for federal reimbursements, and specific projects are not eligible unless they are either directly identified in a long-range plan or consistent with policies and objectives identified in long-range plans. Current federal law requires states to develop long-range transportation plans (“LRPs”) that identify long-range state policies, objectives and goals, while using realistic projections of available future state and federal funding.

Rhode Island has developed a long range transportation plan entitled Transportation 2020: Ground Transportation Plan, which provides a comprehensive transportation vision for the State. The plan adopted by the SPC on August 11, 2001, establishes the following major goals for transportation planning:

1. Relate transportation to land use and development;
2. Give priority to preserving and managing the transportation system;

3. Develop new transportation facilities and services, to meet new travel needs, modally diversify, and improve the transportation system's intermodal connections;
4. Insure that the transportation system embraces the principles of environmental stewardship by meeting or exceeding environmental standards, and providing transportation facilities which enhance the communities they serve;
5. Insure that the transportation system equitably serves all Rhode Islanders regardless of race, ethnic origin, income age, mobility impairment, or geographic location; and
6. Provide adequate financing for the transportation system.

Current federal law also requires that short-term planning and programming must be conducted at least every two years through the development of a TIP for each metropolitan area. Among other requirements, each TIP must include, for each project, the estimated project cost and amount of federal revenues proposed to be obligated during each year.

Federal regulations require that a TIP be prepared for each metropolitan area within a state and also at the statewide level incorporating the metropolitan area TIPs. Rhode Island, because of its size and geography, is unique in its organizational structure for transportation planning. Planning activities are carried out on a statewide basis rather than at both state and regional/metropolitan levels, as in most other states. In Rhode Island, the Metropolitan Planning Organization is the SPC, which is staffed by the Statewide Planning Program within the Department of Administration. The SPC is established by state law and has eighteen members, each of whom are appointed from state executive agencies, the legislature, local government or the public. The SPC adopts a single TIP for the entire state, which satisfies all requirements for metropolitan and statewide planning under federal law.

The Rhode Island TIP is developed every two years covering a six-year period. The first two years of the TIP, known as the biennial element, lists those projects which are eligible for federal funding. TIP development is a joint effort of the Statewide Planning Office of the Department of Administration and the Department. The TIP is prepared using Department projections of available state and federal funding for the six year planning period based on anticipated federal apportionments and anticipated state transportation funding. An extensive public participation program is undertaken to identify candidate projects which are then reviewed and evaluated by a public committee known as the Transportation Advisory Committee (TAC) based on State planning priorities. A recommended TIP program is developed by the TAC and forwarded to the SPC for adoption. Only after this process is complete and SPC adoption can a project formally be considered part of the State's transportation funding plan.

Fiscal Management and Federal Highway Reimbursements. Once budgeting, planning and programming are complete, projects move into a fiscal management phase. This fiscal management process is the third element of the implementation step in the overall federal highway funding process. A state-led fiscal management system—conducted in accordance with FHWA requirements—is used to determine exactly how much federal funding will be received for each project, to obtain final FHWA authorization before projects are implemented, and to ensure timely federal reimbursement of state expenditures on contractor costs. In Rhode Island, these activities are performed by the Financial Management Division within the Department.

States must follow federal fiscal management procedures as they implement projects that have passed through the approval and programming processes. These fiscal management procedures ensure that the FHWA and states are able to manage the process efficiently, from project authorization to actual payment of Federal Highway Reimbursements to the state.

In the traditional approach, a state simply obligates the full federal share of available funding at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins when a state requests authorization to use federal funding on a project. The project sponsor (e.g., the Department) submits plans, specifications and estimates ("PS&Es") for a project to the FHWA division office, and requests that the FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the TIP and the PS&Es must identify the category of federal funding that will be used.

The FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements (e.g., design standards). Provided that all requirements are satisfied, the FHWA authorizes federal participation in the project, and obligates the federal share of project costs. By obligating the revenues, the FHWA makes a commitment to reimburse the state for the federal share of eligible project costs. It sets aside the appropriate amount of that state's Obligation Authority, and also sets aside an equivalent amount of apportioned revenues by program (or programs). Accordingly, the state must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state advertises the project and receives bids. Based on actual costs identified in bids, the state awards the contract to the lowest qualified bidder and submits a request to the FHWA asking for any necessary adjustments to federal obligations for the project. If approved, the amounts agreed to are included in a project agreement which identifies the revenues that will be encumbered by the state (formally applied against the state's resources), and the amount that will be reimbursed by the federal government.

Construction begins, and contractors submit bills to the state as work is completed. A state pays its contractor's bills with cash from the state treasury; the state bills the FHWA electronically for the federal share of completed work for which payment has been made; and the FHWA makes payment to the state via electronic transfer. This FHWA reimbursement to the state liquidates its obligation for the federal share of the costs incurred to that point. As project work continues and state expenditures are reported to the FHWA, federal reimbursements are made, generally on a bi-weekly basis. In Rhode Island, reimbursement requests are submitted bi-weekly and reimbursements are made by wire transfer generally within four days. Much of the State's system and management in general, are highly automated, leading to a routine flow of Federal Highway Reimbursements based on actual spending on approved projects.

Innovative variations on this fiscal management approach include Advance Construction and partial conversion of Advance Construction. These variations complement one another to provide a state with additional flexibility in managing its Obligation Authority and cash.

The *Advance Construction* approach for authorizing projects allows states to finance projects that are eligible for federal aid without obligating the federal share of costs at the outset of the project. This allows states to begin a project before amassing all of the Obligation Authority needed to cover the federal share of that project. As with the traditional approach, the state submits PS&Es to the FHWA and requests project authorization. Under A/C, however, the FHWA is asked to authorize the project without obligating federal revenues. As a result, the state will cover the entire cost of the project and later may request the obligation of revenues, when sufficient Obligation Authority is available and is desired by the state. Further, the state may then take credit for state expenditures, made from project approval to that date, as a basis for earning reimbursements.

Once the FHWA authorizes a project for federal assistance, the state follows the same procedure to advertise a project, to award the contract, and to reconcile the level of state and federal funding required. The state may request that the FHWA convert its Advance Construction amount to an obligation at any time, provided the state has sufficient Obligation Authority. This conversion of A/C to Obligation Authority must occur in order for the state to be reimbursed for the federal share of the project. The state can convert Advance Construction to Obligation Authority long after state expenditures are made.

Under *partial conversion of Advance Construction*, moreover, a state follows the steps to apply for Advance Construction but converts, obligates, and receives reimbursement for only a portion of its funding of an Advance Construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority is available. The state can thus obligate varying amounts for the project's eligible cost in each year, depending on how much of the state's Obligation Authority is available and desired by the state.

States are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to states. A computer-based project accounting, reporting and billing system is used to track encumbrances and expenditures for all projects, including highway projects, administered by the State.

The Federal Aid Agreements

The Department has entered into the Federal Aid Agreements with FHWA relating to the design and construction of the Series 2003A Construction Projects. Under the Federal Aid Agreements, FHWA has agreed to make payments to the Department, which the State has agreed, subject to annual appropriation by the General Assembly, to remit to the Trustee, in an amount equal to the principal of, premium, if any, and interest on the Series 2003A Bonds, when due. Under the Trust Indenture, the Department covenants to comply with applicable law and the Federal Aid Agreements to the extent required for the Department to receive on behalf of the State all revenues from the FHWA under the Federal Aid Agreements. The Federal Aid Agreements do not constitute a commitment, guarantee or obligation on the part of the United States to provide for the payment of Bond Payments.

TIP and Long Range Plan Conformity with Federal Clean Air Requirements

The State is designated as a “serious” non-attainment area for ozone. The City of Providence is designated as a “maintenance area” for carbon monoxide. The EPA’s air quality conformity regulations require that the TIP and long range plans be evaluated for emissions impacts in both non-attainment and maintenance areas. The Rhode Island TIP and long range plan are analyzed to evaluate change in ozone precursors (volatile organic compounds – VOC and oxides of nitrogen – Nox) and carbon monoxide – CO emissions due to implementation. The air quality analysis has demonstrated that implementation of the state’s long range transportation plan and TIP is consistent with federal air quality conformity criteria and regulations, and conforms to the air quality goals in Rhode Island’s State air quality Implementation Plan. See “MANAGEMENT OF STATE HIGHWAY PROGRAM – State Planning Council.”

FEDERAL AID REVENUES

Below are tables identifying prior and projected Apportionments, Obligation Authority and Receipts of Federal Aid Revenues by the Department from Federal Fiscal Year 1992 through the Federal Aid Authorization ending September 30, 2003. The ability to pay Bond Payments on the Series 2003A Bonds will depend upon the amount of funding provided to the State under the FAHP and the State’s ability to use such funding. The Department has been informed by FHWA that its Obligation Authority for the period October 1, 2003 through February 29, 2004 and Apportionment for October, 2003 shall be \$75,513,538 and \$15,067,634, respectively.

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY AND RECEIPTS
 FOR THE RHODE ISLAND DEPARTMENT OF TRANSPORTATION
 Under Prior Federal Aid Authorization Period
 (Intermodal Surface Transportation Efficiency Act of 1991)
 Federal Fiscal Years 1992 Through 1997**

Federal Fiscal Year	Apportionments	Obligation Authority	Actual Receipts
1992	\$126,664,108	\$99,293,158	\$119,141,200
1993	\$119,923,036	\$93,788,383	\$132,673,636
1994	\$117,960,039	\$107,148,246	\$131,396,510
1995	\$115,163,697	\$98,139,627	\$167,605,692
1996	\$104,944,276	\$103,495,595	\$112,549,033
1997	\$114,287,204	\$100,232,568	\$94,282,972
Totals (1992-1997)	\$698,942,363	\$602,097,577	\$757,649,043
Annual Average (1992-1997)	\$116,490,394	\$100,349,596	\$126,274,840

**FEDERAL AID REVENUES
 APPORTIONMENTS, OBLIGATION AUTHORITY AND RECEIPTS
 FOR THE RHODE ISLAND DEPARTMENT OF TRANSPORTATION
 Under Prior Federal Aid Authorization Period
 (Transportation Equity Act for the 21st Century)
 Federal Fiscal Years 1998 Through 2003**

Federal Fiscal Year	Apportionments	Obligation Authority	Actual Receipts
1998	\$135,529,838	\$117,588,159	\$83,414,007
1999	\$166,811,634	\$146,545,192	\$142,506,898
2000	\$175,088,373	\$155,049,288	\$130,139,213
2001	\$187,915,520	\$170,945,134	\$156,295,219
2002	\$195,566,174	\$186,560,428	\$169,844,042
2003	\$176,189,569	\$186,405,045	\$143,148,622
Totals (1998 – 2003)	\$1,037,101,108	\$963,093,246	\$825,348,001
Annual Average (1998- 2003)	\$172,850,185	\$160,515,541	\$137,558,000

Source: Rhode Island Department of Transportation.

DEBT SERVICE REQUIREMENTS FOR SERIES 2003A BONDS

The following table shows the debt service requirements for the Series 2003A Bonds. In order to issue Additional Bonds the Issuer will be required to comply with certain debt service coverage tests. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Additional Bonds” and “PLAN OF FINANCE – Anticipated Future Issuance.”

DEBT SERVICE REQUIREMENTS FOR SERIES 2003A BONDS

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2004		\$6,141,312.50	\$6,141,312.50
2005	\$30,755,000	11,054,362.50	41,809,362.50
2006	32,290,000	9,516,612.50	41,806,612.50
2007	13,000,000	7,902,112.50	20,902,112.50
2008	13,655,000	7,252,112.50	20,907,112.50
2009	14,335,000	6,569,362.50	20,904,362.50
2010	16,485,000	5,816,775.00	22,301,775.00
2011	17,350,000	4,951,312.50	22,301,312.50
2012	18,260,000	4,040,437.50	22,300,437.50
2013	19,215,000	3,081,787.50	22,296,787.50
2014	20,225,000	2,073,000.00	22,298,000.00
2015	21,235,000	1,061,750.00	22,296,750.00
	\$216,805,000	\$69,460,937.50	\$286,265,937.50

MANAGEMENT OF STATE HIGHWAY PROGRAM

State Planning Council

Pursuant to Title 42, Chapter 11, Section 10, of the Rhode Island General Laws, as amended, the SPC is responsible for adopting strategic plans and the long-range state guide plan, including the TIP. The SPC consists of eighteen members, and is chaired by the Director of the Department of Administration. Each of the Construction Projects has been included in the TIP and approved by the SPC. The Governor forwarded the amended TIP as approved by the SPC to the Regional Administrator of the FHWA on October 7, 2003. FHWA has forwarded the amended TIP to the Environmental Protection Agency (“EPA”) for its concurrence. The Department expects to receive concurrence from the EPA that the amended TIP complies with certain air quality conformity standards, and expects that the FHWA will accept the amended TIP. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – Operations.”

Department of Transportation

The Department is responsible for the integration of all modes of transportation into a single transportation system. The Department is organized to carry out its responsibilities for the construction and maintenance of all State roads, bridges, transportation facilities (other than those operated and maintained

by the Rhode Island Turnpike and Bridge Authority), and the administration of State and Federal highway construction assistance programs.

The Department administers the State highway system. The Department's responsibilities include road construction, road maintenance, mass transit and planning activities. Beginning in FY 1994, the State established the ISTF, in partial fulfillment of a plan to join the remaining states in funding transportation expenditures from dedicated user-related revenue series. This highway fund concept has the advantage of relating the funding of transportation projects to those who utilize the services provided by those projects, by means of financing mechanisms paid directly by those end-users. The concept is also intended to provide a fairly stable revenue stream to enable transportation projects to be eventually financed on a pay-as-you-go basis.

The ISTF is supported by the State's 30 cents per gallon motor fuel tax, of which 1.4 cents (\$.014) per gallon are transferred to the General Fund. These receipts fund operating expenditures of the Department, as well as specific portions of transportation-related expenditures of the Rhode Island Public Transit Authority (RIPTA) and the Rhode Island Department of Elderly Affairs. Typically, the Department has used funds legally available in the ISTF to provide state matching funds for federal transportation projects.

Pursuant to Section 9 of the Program Act and the Act, the Issuer may issue bonds and notes (the "State Matching Bonds") in anticipation of receipt of revenues derived from the two cents (\$.02) per gallon of the 30 cents (\$.30) per gallon motor fuel tax imposed under Title 31, Chapter 36 of the State of Rhode Island General Laws, as amended, the net proceeds of which would be used to provide the state matching funds necessary under the Federal Aid Agreements and FHWA Program. To date, the Issuer has not issued such State Matching Bonds, but expects to issue the first series of such bonds (i.e., the Series 2003A Motor Fuel Tax Revenue Bonds) simultaneously with the issuance of the Series 2003A Bonds. Failure of the Issuer to issue such State Matching Bonds is not an event of default under the Trust Indenture. Under the Federal Aid Agreements, should the Issuer not issue any State Matching Bonds, the state remains obligated to provide state matching funds through other means. The Series 2003A Bonds are not secured by any pledge of any portion of the motor fuel tax receipts, and are secured solely by the Trust Estate. If the State Matching Bonds are not issued, there is no guarantee that the State would have sufficient matching funds to meet its obligations under the Federal Aid Agreements.

The Director of the Department serves as the Chief Administrative Officer of the Department. The Director is appointed by the Governor and confirmed by the Senate, and is directly responsible to the Governor. The Department has organized itself into four divisions.

LITIGATION

There is no litigation pending in any court or, to the best knowledge of the Issuer threatened, questioning the corporate existence of the Issuer, or the title of the present Directors or Officers of the Issuer to their respective offices. There is no litigation or administrative action pending in any court or, to the best knowledge of the Department and the Issuer, threatened, which would restrain or enjoin the issuance, sale or delivery of the Series 2003A Bonds or in any way contest or affect the validity of the Series 2003A Bonds, or which concerns the proceedings of the Issuer taken in connection with the issuance and sale of the Series 2003A Bonds or the execution, delivery and performance of the Federal Aid Agreements or the Payment Agreement, or the pledge and application of any funds pursuant to the Trust Indenture provided for the payment of the Series 2003A Bonds, or which contests the powers of the State, including the Department, and the Issuer, with respect to the foregoing.

The Attorney General of the State will provide an opinion in connection with the issuance of the Series 2003A Bonds that, to the best of his knowledge, there is no pending or threatened litigation against the State or the Issuer contesting the validity of the Issuer Act or the Program Act, or seeking to enjoining the issuance of the Series 2003A Bonds by the Issuer or the entering into of the Payment Agreement by the Governor, the Treasurer, the Director of the Department of Administration or the Director of the Department.

FORWARD-LOOKING STATEMENTS

This Official Statement contains statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins, Delafield & Wood, and Hinckley, Allen & Snyder LLP, Co-Bond Counsel, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2003A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Series 2003A 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. In rendering their opinion, Co-Bond Counsel have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Issuer and the Department in connection with the Series 2003A Bonds, and Co-Bond Counsel have assumed compliance by the Issuer and the Department with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2003A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Co-Bond Counsel, interest on the Series 2003A Bonds is exempt from Rhode Island personal income taxes.

Co-Bond Counsel express no opinion regarding any other Federal, state or local tax consequences with respect to the Series 2003A Bonds. Co-Bond Counsel render their opinions under existing statutes and court decisions as of the issue date, and assume no obligation to update their opinions after the issue date to reflect any future action, fact or circumstance, or change in law or interpretation, or otherwise. Co-Bond Counsel express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Series 2003A Bonds, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Covenants

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Series 2003A Bonds in order that interest on the Series 2003A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Series 2003A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Series 2003A Bonds to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Issuer and the Department have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2003A Bonds from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Series 2003A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2003A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Series 2003A Bonds.

Prospective owners of the Series 2003A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2003A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2003A Bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Series 2003A Bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Series 2003A Bond (a “Premium Bond”). In general, under Section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond, determined based on constant yield principles. An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon disposition of the Premium Bond even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds.

Possible Government Action

Legislation affecting municipal bonds is regularly under consideration by the United States Congress. In addition, the Internal Revenue Service has established an expanded audit program for tax-exempt bonds. There can be no assurance that legislation enacted or proposed or an audit initiated by the Internal Revenue Service involving either the Series 2003A Bonds or other tax-exempt bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2003A Bonds. There can be no assurance that legislation enacted or proposed after the date of issuance of the Series 2003A Bonds will not have an adverse effect on the tax-exempt status or market price of the Series 2003A Bonds.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the State will execute a written Continuing Disclosure Undertaking, dated the date of delivery of the Series 2003A Bonds (the "Disclosure Undertaking"), substantially in the applicable form set forth as "APPENDIX E – PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING," wherein the State will agree, for the benefit of the beneficial owners of the Series 2003A Bonds, to provide, or cause to be provided, certain annual financial information that is generally consistent with the information contained under the heading "FEDERAL AID REVENUES" herein for the prior Federal Fiscal Year, and notice of the occurrence of certain events or failures to take certain required actions with respect to the Series 2003A Bonds.

The State may from time to time choose to provide notice of the occurrence of other events, in addition to those required in the Disclosure Undertaking, but the State does not undertake to commit to provide any notice of the occurrence of any event except those events listed in the Disclosure Undertaking, if material.

The obligations of the State described in the Disclosure Undertaking will remain in effect until the Series 2003A Bonds are no longer Outstanding or the Rule no longer applies to the Series 2003A Bonds. The Disclosure Undertaking may be amended or waived upon receipt by the State of an opinion of independent counsel to the effect that the amendment or waiver would not, in and of itself, cause the Disclosure Undertaking to violate the Rule.

A beneficial owner of a Series 2003A Bond may seek to enforce the undertakings of the State in the Disclosure Undertaking by an action for specific performance in any court of competent jurisdiction in Providence, Rhode Island after providing the State with 30 days prior written notice of its failure to perform. Any failure of the State to comply with any of its obligations in the Disclosure Undertaking shall not be a default or Event of Default with respect to the Series 2003A Bonds under the Trust Indenture.

The Issuer and the State are in material compliance with each and every disclosure undertaking into which they have entered pursuant to the Rule.

RATINGS

Standard & Poor's Rating Service ("S&P"), Moody's Investors Service ("Moody's") and Fitch, Inc. ("Fitch") have assigned ratings of A+, Aa3 and AA-, respectively, on the uninsured Series 2003A Bonds.

For the Insured Series 2003A Bonds, S&P, Moody's and Fitch are expected to assign ratings of AAA, Aaa and AAA, respectively, based upon the understanding that the payment of the principal and interest on the Insured Series 2003A Bonds will be guaranteed by a municipal bond insurance policy to be issued by Financial Security simultaneously with the delivery of the Insured Series 2003A Bonds.

Such ratings reflect only the views of the respective rating organizations, and any explanation of the meaning or significance of the ratings may only be obtained from the respective rating agency, as follows: from Standard & Poor's Ratings Group, 55 Water Street, New York, New York 10041, from Moody's Investors Service, 99 Church Street, New York, New York 10007, and from Fitch, Inc., One State Street Plaza, New York, New York 10004. The Issuer and the Department furnished to the rating agencies certain information and materials, some of which have not have been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and on their own investigation, studies and assumptions. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in their judgment circumstances so warrant. Any lowering or withdrawal of a rating may have an adverse effect on the marketability or market price of the Series 2003A Bonds.

The Issuer and the Department expect to furnish each rating agency with information and materials that it may request. The Issuer and the Department, however, assume no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of the debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Series 2003A Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase the Series 2003A Bonds from the Issuer at a price of \$236,754,154.60 (being the aggregate principal amount of \$216,805,000 plus original issue premium of \$20,719,011.90 and less an Underwriters' discount of \$769,857.30). The public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2003A Bonds to dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than such initial public offering prices. The Underwriters will be obligated to purchase all of the Series 2003A Bonds if any are purchased. The delivery of the Series 2003A Bonds and of the Series 2003A Motor Fuel Tax Revenue Bonds are not conditioned upon one another.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the issuance and sale of the Series 2003A Bonds and the tax treatment of interest on the Series 2003A Bonds are subject to the legal opinion of Hawkins, Delafield & Wood, New York, New York, and Hinckley, Allen & Snyder LLP, Providence, Rhode Island, Co-Bond Counsel, the substantially final form of which is attached hereto as "APPENDIX A – PROPOSED FORM OF OPINION CO-BOND COUNSEL." Certain legal matters will be passed upon for the Underwriters by their counsel, Ballard, Spahr, Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed on for the Issuer by its Disclosure Counsel, Brown Rudnick Berlack Israels LLP, Providence, Rhode Island and by its General Counsel, Adler, Pollock & Sheehan P.C., Providence, Rhode Island. Certain legal matters will be passed upon for the State by the Attorney General and for the Department by its Special Counsel, Moses & Afonso, Ltd., Providence, Rhode Island.

FINANCIAL ADVISOR

The Issuer has retained First Southwest Company, to serve as its financial advisor in connection with the issuance of the Series 2003A Bonds (the "Financial Advisor"). The 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. The Issuer may engage the Financial Advisor to perform other services, including without limitation, providing certain investment services with regard to the investment of Series 2003A Bond proceeds.

MISCELLANEOUS

The Department and the Issuer have furnished the information in this Official Statement relating to the Department and the Issuer.

Copies of the Trust Indenture and the Federal Aid Agreements discussed herein may be obtained from the Department's Chief Financial Officer, located at Two Capital Hill, Providence, Rhode Island 02903 (telephone: 401-222-6590).

All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections, or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such opinions or the like will be realized. The agreements of the Issuer and the Department are fully set forth in the Trust Indenture in accordance with the Act and this Official Statement is not to be construed as a contract or agreement between the Issuer or the Department and the purchasers or Owners of any of the Series 2003A Bonds.

This Official Statement is submitted in connection with the sale of the Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Issuer and the State and duly executed and delivered on its behalf by the official signing below.

RHODE ISLAND ECONOMIC DEVELOPMENT
CORPORATION

By: /s/ Michael McMahon
Executive Director

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APPENDIX A

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

Upon delivery of the Series 2003A Bonds in definitive form, Hawkins, Delafield & Wood and Hinckley, Allen & Snyder, LLP, Co-Bond Counsel to the Issuer, propose to render their final approving opinion in substantially the following form:

[Date of Closing]

Board of Directors
Rhode Island Economic
Development Corporation
One West Exchange Street
Providence, Rhode Island 02903

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance, of \$216,805,000 Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2003A (the "Series 2003A Bonds") of Rhode Island Economic Development Corporation (the "Issuer"), a public corporation, constituting a governmental agency and public instrumentality of the State of Rhode Island and Providence Plantations (the "State"), created and existing under and by virtue of The Rhode Island Economic Development Corporation Act, as amended from time to time (the "Issuer Act").

All terms defined in the Indenture (hereinafter defined) and used herein shall have the meanings assigned in the Indenture, except where the context hereof requires otherwise.

The Series 2003A Bonds are issued under and pursuant to the Issuer Act and Sections 8 to 10 of Article 36 of Chapter 03-376 of the Public Laws of Rhode Island, as amended from time to time (the "Program Act", and together with the Issuer Act, referred to collectively as, the Act"), and under and pursuant to a Master Trust Indenture authorizing Grant Anticipation Bonds (the "Master Trust Indenture"), as supplemented by a Series 2003A Supplemental Trust Indenture (the "Supplemental Indenture", and the Master Trust Indenture as so supplemented, is referred to as, the "Indenture") each entered into by and between the Issuer and J.P. Morgan Trust Company, National Association, as trustee (the "Trustee"), and dated as of November 1, 2003.

The Series 2003A Bonds are dated, mature, are payable, bear interest and are subject to redemption, all as provided in the Indenture.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2003A Bonds in order that interest on the Series 2003A Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. We have examined the Arbitrage and Use of Proceeds Certificate of the Issuer and the Rhode Island Department of Transportation (the "Department"), dated the date hereof (the "Arbitrage and Use of Proceeds Certificate"), in which the Issuer and the Department have made representations, statements of intention and reasonable expectation, certifications of fact and covenants relating to the federal tax status of interest on the Series 2003A Bonds, including, but not limited to, certain representations with

respect to the use of the proceeds of the Series 2003A Bonds and the investment of certain funds. The Arbitrage and Use of Proceeds Certificate obligates the Issuer and the Department to take certain actions necessary to cause interest on the Series 2003A Bonds to be excluded from gross income pursuant to Section 103 of the Code. Noncompliance with the requirements of the Code may cause interest on the Series 2003A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance, irrespective of the date on which such noncompliance occurs or is ascertained. The Issuer and the Department have covenanted in the Indenture to maintain the exclusion of the interest on the Series 2003A Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code.

In rendering the opinion in paragraph 3 hereof, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectation and certifications of fact contained in the Arbitrage and Use of Proceeds Certificate with respect to matters affecting the exclusion from gross income for federal income tax purposes pursuant to Section 103 of the Code of interest on the Series 2003A Bonds, and (ii) compliance by the Issuer and the Department with procedures and covenants set forth in the Arbitrage and Use of Proceeds Certificate as to such tax matters.

We have also examined one of said Series 2003A Bonds as executed and, in our opinion, the form of said Series 2003A Bond and its execution are regular and proper.

The Series 2003A Bonds are issued for the principal purpose of paying certain Construction Costs of the Department.

The Issuer reserves the right to issue additional Bonds on the terms and for the purposes stated in the Indenture. Under the provisions of the Indenture, such Bonds will rank equally with the Series 2003A Bonds as to security and payment from the Trust Estate.

We are of the opinion that:

1. The Issuer has the right and power under the Act to enter into the Indenture, and the Indenture has been duly and lawfully entered into by the Issuer, is in full force and effect and is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Indenture is required. The Indenture creates the valid pledge of and lien on the Trust Estate (as defined in the Indenture), subject to the terms of the Indenture.

2. The Series 2003A Bonds are valid and binding special, limited obligations of the Issuer payable solely from the Trust Estate (subject to annual appropriation by the State of Federal Transportation Funds) and have been duly authorized and issued in accordance with the Act and the Indenture. The Series 2003A Bonds do not give rise to a pecuniary liability or a charge against the general credit of the Issuer or the State and are not (and shall not be deemed or construed to be or to create) a debt, liability or obligation of the State or any political subdivision of the State, nor a pledge of the faith and credit of the State or any political subdivision of the State, within the meaning of the Constitution or laws of the State concerning or limiting the creation of indebtedness by the State or any political subdivision of the State. Neither the State nor any political subdivision thereof shall be obligated to pay the principal of or interest on the Series 2003A Bonds, and the owners of the Series 2003A Bonds shall have no right to make any claim against the State or any of its political subdivisions.

3. Under existing statutes and court decisions (i) interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2003A 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.

4. Interest on the Series 2003A Bonds is exempt from State personal income taxes.

The opinions expressed in paragraphs 1 and 2 above are subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws heretofore or hereafter enacted affecting creditors' rights and are subject to the application of principles of equity relating to or affecting the enforcement of contractual obligations, whether such enforcement is considered in a proceeding in equity or at law.

Except as stated in paragraphs 3 and 4, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2003A Bonds. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2003A Bonds, or under state, local and foreign tax law.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2003A Bonds.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever.

Very truly yours,

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE

Following are descriptions of certain terms used in the Trust Indenture, Series 2003A Supplemental Indenture and this Official Statement and brief summaries of certain provisions of the Trust Indenture and Series 2003A Supplemental Indenture. The descriptions and summaries do not purport to be complete or definitive and are subject in all respects to the provisions of, and each is qualified in its entirety by reference to, the respective documents to which they relate, copies of which are available, upon request, from the Issuer. All headings and references to “Sections,” “Articles” and other subdivisions in or following the summaries of certain provisions of the Trust Indenture are provided solely for the convenience of reference and shall not affect the meaning, construction, or effect of the Trust Indenture.

Certain Defined Terms (Section 1.01)

Accreted Value means any amount defined as such in a Supplemental Indenture for purposes of determining the Redemption Price of, certain rights of the Owner of or certain other matters with respect to a Capital Appreciation Bond.

Accretion Date means any date defined as such in a Supplemental Indenture for purposes of determining the Accreted Value or Maturity Value of a Capital Appreciation Bond.

Act means the Issuer Act and the Program Act, as such terms are defined in the Master Indenture.

Authorized Denomination means the denomination or denominations defined as such in a Supplemental Indenture for purposes of determining the denominations of a Series of Bonds.

Authorized Issuer Representative means the Chairman, Vice Chairman, Executive Director, Deputy Director, Associate Director of Financial Services, Secretary, Assistant Secretary or Treasurer of the Issuer or the person at the time designated to act on behalf of the Issuer by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Chairman, Vice Chairman, Executive Director, Deputy Director, Associate Director of Financial Services, Secretary, Assistant Secretary or Treasurer. Such certificate may designate an alternate or alternates.

Bond Counsel means (a) as of the date of issuance of the first Series of Bonds, Hawkins, Delafield & Wood and Hinckley, Allen & Snyder LLP, and (b) as of any other date, Hawkins, Delafield & Wood and Hinckley, Allen & Snyder LLP or other attorneys selected by the Issuer who have nationally recognized expertise in the issuance of municipal securities, the interest on which is excluded from gross income for federal income tax purposes.

Bond Payment Date means each date on which Bond Payments are due and includes, but is not limited to, the maturity date of any Bond; each Interest Payment Date on each Current Interest Bond; and the mandatory sinking fund redemption dates of term Bonds that are subject to mandatory sinking fund redemption in accordance with a mandatory sinking fund redemption schedule set forth in a Supplemental Indenture.

Bond Payment Fund means the special fund created by the Master Indenture.

Bond Payments means (a) with respect to a Current Interest Bond, the interest due on such Bond on each Interest Payment Date and the principal and interest due on such Bond at maturity; (b) with respect to a Capital Appreciation Bond, the Maturity Value due on such Bond at maturity; and (c) with respect to term Bonds that are subject to mandatory sinking fund redemption in accordance with a schedule set forth in a Supplemental Indenture, the principal and interest or the Accreted Value payable on such Bonds on the date on which they are subject to mandatory sinking fund redemption in accordance with such schedule. “*Bond Payments*” does not include the Redemption Price of any Bond.

For purposes of this definition:

(i) Bond Payments due on any Interest Payment Date that are payable from accrued interest or capitalized interest held in the Bond Payment Fund pursuant to the Master Indenture will be excluded in determining the amount of Bond Payments due in the Federal Fiscal Year in which such Interest Payment Date occurs for purposes of determining (A) the maximum annual Bond Payments for the certificate required by the Master Indenture; and (B) the amount of Federal Transportation Funds for which Federal Aid Agreements are to be in force and effect pursuant to the Master Indenture.

(ii) If any Bonds bear interest at an adjustable or variable interest rate such that the Bond Payments due in a Federal Fiscal Year or on a Bond Payment Date cannot be determined with certainty on the date on which Federal Transportation Funds are to be paid to the Trustee pursuant to the Master Indenture, or in determining the amount of Bond Payments becoming due during a Federal Fiscal Year for purposes of preparing the certificate required by the Master Indenture, the amount of interest included in the Bond Payments due on such Bonds in such Federal Fiscal Year or on such Bond Payment Date shall be based on the interest rate estimated by the Issuer, or as stated in any Supplemental Indenture relating thereto.

(iii) If the Issuer purchases or arranges for a Credit Facility or an Interest Rate Exchange Agreement with respect to any Bonds pursuant to the Master Indenture, (A) moneys paid or payable to the provider of the Credit Facility to reimburse the provider for moneys paid by the provider that are used to make Bond Payments (as defined in the first two sentences of this definition) and (B) moneys paid or payable to the provider of the Interest Rate Exchange Agreement for moneys paid by the provider that are used to make Bond Payments (as defined in the first two sentences of this definition) may, but in each case if and to the extent provided in a Supplemental Indenture or in a separate agreement between the Issuer and the Credit Facility or Interest Rate Exchange Agreement provider entered into pursuant to the Master Indenture, be treated as Bond Payments on the Bonds to which the Credit Facility or Interest Rate Exchange Agreement relates.

Bonds means the grant anticipation bonds, notes or other obligations authorized pursuant to the Master Indenture.

Business Day means any day other than a Saturday, a Sunday or a day on which banks in New York, New York, Providence, Rhode Island or any city identified in a Supplemental Resolution are authorized by law to remain closed.

Capital Appreciation Bond means a Bond on which no payments are due until maturity or redemption prior to maturity.

Code means the Internal Revenue Code of 1986, as amended, and regulations thereunder.

Construction Costs means all costs and expenses paid or incurred or to be paid or incurred (including the reimbursement of RIDOT for any of such costs and expenses originally paid or incurred by RIDOT) in connection with:

(a) the design of, acquisition of right-of-way for, construction of and improvements made as part of the Construction Projects;

(b) financing costs, including, but not limited to, costs and expenses that the Issuer deems necessary or advantageous in connection with the sale of the Bonds and the administration of the Bonds, the Trust Estate, the Master Indenture and any Supplemental Indenture, including, but not limited to, costs and expenses relating to the engagement of consultants, financial advisors, underwriters, bond insurers, letter of credit banks, rating agencies, attorneys, trustees, paying agents, registrars, other agents and other Persons in connection with the issuance of the Bonds, the Trust Estate, the Master Indenture or any Supplemental Indenture;

(c) payment of interest on the Bonds;

(d) costs and expenses relating to any Credit Facility entered into in accordance with the Master Indenture, including the reimbursement of the provider of any Credit Facility as provided in the Master Indenture;

(e) costs and expenses relating to any Interest Rate Exchange Agreement entered into in accordance with the Master Indenture; and

(f) amounts required to be deposited into the Rebate Fund pursuant to the Master Indenture and the Tax Certificates.

Construction Fund means the special fund created by the Master Indenture.

Construction Project means any Qualified Federal Aid Transportation Project (a) that is approved by RIDOT from time to time, and (b) with respect to which a Federal Aid Agreement is in full force and effect.

Credit Facility means any letter of credit, insurance, stand-by credit or liquidity agreement or other forms of credit ensuring timely payment of any Bonds, including the Bond Payments on or the Redemption Price or purchase price of such Bonds, that is entered into in accordance with the Master Indenture. References to "Credit Facility" with respect to any Series of Bonds shall be ineffective when such Bonds are not supported by a Credit Facility.

Current Interest Bond means a Bond on which interest is payable on Interest Payment Dates prior to maturity or redemption prior to maturity.

Current Payments means all payments required to be made from Federal Transportation Funds for the payment of all Bond Payments and Program Costs, which become due during the Federal Fiscal Year for which the Obligation Authority was allocated or apportioned.

Defeasance Escrow Account means any trust account into which money and/or Defeasance Securities are deposited for the purpose of defeasing any Bonds in accordance with the Master Indenture.

Defeasance Securities means money and the following to the extent permitted by law (a) non-callable (at the option of the obligor) direct obligations of the United States of America, non-callable (at the option of the obligor) and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable (at the option of the obligor) direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including “CATS,” “TIGRS” and “TRS” unless the Issuer obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (at the option of the obligor) (or non-callable by the obligor before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(b) non-callable (at the option of the obligor) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);

(c) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (b), provided, that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

(d) bonds or other obligations of any state of the United States of America or any agency, instrumentality or local governmental unit of any such state (i) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (ii) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (a), (b) or (c) which fund may be applied only to the payment when due of such bonds or other obligations; and

(e) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, any Federal Home Loan Bank, the Export-Import Bank of the United States, the Federal Financing Bank, the Government National Mortgage Association, the Farmers' Home Administration, the Federal Home Loan Mortgage Company, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Farm Credit Bank, the

Resolution Trust Company, the Student Loan Marketing Association, or the Federal Farm Credit System.

Department of Administration means the Department of Administration of the State, established pursuant to Chapter 42-11 of the Rhode Island General Laws (1956), as amended, its successors and assigns.

Director of Administration means the Director of Administration of the State, his or her successors, assigns and designees.

Director of RIDOT means the Director of RIDOT, his or her successors, assigns and designees.

Earnings Account means the earnings account within the Construction Fund created by the Master Indenture.

Event of Default means an event described in the Master Indenture.

Federal Aid Agreement means one or more agreements or memoranda of understanding between RIDOT and FHWA pursuant to which FHWA agrees to pay Federal Transportation Funds to pay or to reimburse RIDOT or the Trustee for Bond Payments, as such agreement or agreements may be amended or modified or replaced by another agreement or instrument regarding the payment of Federal Transportation Funds by FHWA to pay or to reimburse RIDOT or the Trustee for Bond Payments.

Federal Aid Authorization means, as applicable, (a) Title 23, (b) any extension of Title 23, or (c) any successor to Title 23 authorizing federal funding of state highways.

Federal Fiscal Year means the period commencing on October 1 in each calendar year and ending on the last day of September of the next succeeding calendar year, or any other twelve-month period which any appropriate authority may hereafter establish for the federal government as its fiscal year.

FHWA means the United States Department of Transportation, Federal Highway Administration, its successors and assigns and any other agency or branch of government of the United States which succeeds to the powers of FHWA, which term includes the United States Secretary of Transportation and any other appropriate officer of FHWA with authority to grant approvals or consents or to take other appropriate action as is necessary to approve the Construction Projects, federal grants to finance the Construction Projects and the payment of Bond Payments and to take such other action as is necessary for those purposes under Title 23.

Federal Transportation Funds means federal aid revenues received by or on behalf of, or available to, RIDOT pursuant to Title 23 that are legally available for the payment of Bond Payments and Construction Costs. The Title 23 federal aid revenues legally available as Federal Transportation Funds include, but are not limited to, those derived pursuant to Title 23 from the National Highway System, bridges and the federal surface transportation programs and amounts available under the minimum guarantees under, and as described in, Title 23.

Fitch means Fitch Ratings and its successors.

Interest Payment Date means any date defined as such in a Supplemental Indenture for purposes of paying the interest on a Series of Current Interest Bonds.

Interest Rate Exchange Agreement means any interest rate exchange agreement authorized by law and entered into with respect to the Bonds or any portion of the Trust Estate that is entered into in accordance with the Master Indenture.

Letter of Representations means the Letter of Representations between the Issuer and The Depository Trust Company, New York, New York, or any successor depository with respect to the book-entry registration system for the Bonds, or any other similar writing or writings.

Master Indenture means the Master Trust Indenture and any amendment thereto.

Maturity Value means any amount defined as such in a Supplemental Indenture for purposes of determining the amount payable to the Owner of a Capital Appreciation Bond at the maturity of such Capital Appreciation Bond.

Moody's means Moody's Investors Service and its successors.

New Money Bonds means Bonds issued for the purpose of financing the Construction Projects.

Obligation Authority means the amount of funds apportioned or allocated by FHWA pursuant to Title 23 to RIDOT for each Federal Fiscal Year.

Operations Center means the operations center of the Trustee in Providence, Rhode Island or at such other location as the Trustee may designate from time to time by written notice to the Issuer, RIDOT and the Department of Administration.

Original Principal Amount means any amount defined as such in a Supplemental Indenture for purposes of determining certain rights of the Owner of, or certain other matters with respect to, a Capital Appreciation Bond.

Original Purchaser means the Person defined as such in a Supplemental Indenture for purposes of purchasing a Series of Bonds from the Issuer.

Outstanding means all Bonds that have been executed and delivered, except:

(a) any Bond on which all Bond Payments due or to become due have been paid at maturity;

(b) any Bond on which the Redemption Price due or to become due has been paid in accordance with the redemption provisions applicable to such Bond;

(c) Bonds in lieu of which other Bonds have been executed and delivered pursuant to the provisions of the Master Indenture or any Supplemental Indenture relating

to the transfer and exchange of Bonds or the replacement of mutilated, lost, stolen or destroyed Bonds;

(d) Bonds that have been canceled by the Trustee or that have been surrendered to the Trustee for cancellation;

(e) Bonds on which all Bond Payments or the Redemption Price is due and for which the Trustee holds moneys sufficient to pay the Bond Payments or Redemption Price for the benefit of the Owner thereof pursuant to the Master Indenture; and

(f) Bonds that have been defeased pursuant to the Master Indenture.

Owner of a Bond means the registered owner of such Bond as shown in the registration records of the Trustee.

Payment Agreement means the Payment Agreement entered into as of November 1, 2003 by and among the Issuer, RIDOT, the Governor of the State, the General Treasurer of the State, and the Director of Administration.

Permitted Investments means with respect to the investment of any fund created under the Master Indenture, the following to the extent permitted by law:

(a) Defeasance Securities;

(b) [Reserved]

(c) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, payable on demand or on a specified date no more than three months after the date of issuance thereof, if such deposits or instruments are rated any two of at least A-1 by S&P, P-1 by Moody's and F1 by Fitch;

(d) certificates, notes, warrants, bonds, obligations or other evidences of indebtedness of a state or a political subdivision thereof receiving one of the two highest long term unsecured debt ratings (without regard to rating subcategories) by any two of S&P, Moody's and Fitch;

(e) commercial or finance company paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than three months after the date of issuance thereof) that is rated any two of A-1 by S&P, P-1 by Moody's and F1 by Fitch;

(f) repurchase obligations with respect to any security described in clause (a) or (b) above entered into with a primary dealer, depository institution or trust company (acting as principal) rated at least A-1 by S&P, P-1 by Moody's and F1 by Fitch (if then rated by Fitch) (if payable on demand or on a specified date no more than three months after the date of issuance thereof), or rated at least A3 by Moody's and in one of the three highest long-term rating categories by S&P and Fitch (if then rated by Fitch), or

collateralized by securities described in clause (a) or (b) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated “investment grade” by each Rating Agency; provided, that (1) a specific written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102%;

(g) securities bearing interest or sold at a discount (payable on demand or on a specified date no more than three months after the date of issuance thereof) that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated at least P-1 by Moody’s, A-1 by S&P and F1 by Fitch (if then rated by Fitch) at the time of such investment or contractual commitment providing for such investment; provided, that securities issued by any such corporation will not be Permitted Investments to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Permitted Investments then held;

(h) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated at least Aa1 by Moody’s and at least AAm or AAm-G by S&P and at least AA by Fitch (if then rated by Fitch), including if so rated any such fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (x) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (y) the Trustee charges and collects fees and expenses for services rendered pursuant to the Master Indenture, and (z) services performed for such funds and pursuant to the Master Indenture may converge at any time (the Issuer specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Master Indenture);

(i) investment agreements or guaranteed investment contracts rated, or with any financial institution or corporation whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, at least A3/P1 by Moody’s and in one of the three highest long-term rating categories by S&P and Fitch (if then rated by Fitch) if the Issuer or Trustee has an option to terminate such agreement in the event that

such rating is downgraded below the rating on the Bonds, or if not so rated, then collateralized by securities described in clause (a) or (b) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated “investment grade” by each Rating Agency; provided, that (1) a specific written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102%; and

(j) other obligations or securities that are non-callable and that are acceptable to each Rating Agency;

provided, that no Permitted Investment may (a) except for Defeasance Securities, evidence the right to receive only interest with respect to the obligations underlying such instrument or (b) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

Person means any natural person, firm, corporation, partnership, limited liability company, state, political subdivision of any state, other public body or other organization or association.

principal amount means (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Bond; (b) with respect to any Outstanding Capital Appreciation Bond, the Accreted Value of such Bond as of the date on which the Bond is being determined; and (c) with respect to all the Outstanding Bonds together, the sum of the amounts determined pursuant to clauses (a) and (b).

Program Act Projects means the Construction Projects authorized pursuant to the Program Act.

Program Costs means the costs and expenses set forth in items (b) through (f) included in the definition of Construction Costs.

Qualified Federal Aid Transportation Project means any project that may be financed, in whole or in part, with Federal Transportation Funds and authorized under the Program Act.

Rating Agency means, with respect to the Bonds, each nationally recognized securities rating service that has, at the request of the Issuer, a rating then in effect for the unenhanced Bonds.

Rating Confirmation means, with respect to the Bonds, written evidence from a Rating Agency that no underlying Bond rating then in effect from such Rating Agency will be withdrawn, reduced or suspended solely as a result of an action to be taken under the Master Indenture.

Rebate Fund means the special fund created by the Master Indenture.

Record Date means (a) with respect to any Interest Payment Date that is the first day of a month, the fifteenth day of the month (whether or not a Business Day) preceding the month in which the Interest Payment Date occurs; (b) with respect to any Interest Payment Date that is the fifteenth day of a month, the first day of such month (whether or not a Business Day); and (c) with respect to any other Interest Payment Date, the date designated as the Record Date for such Interest Payment Date in a Supplemental Indenture.

Redemption Price means the amount due on a Bond on the date on which it is redeemed prior to maturity pursuant to the redemption provisions applicable to such Bond. Such term does not include the principal and interest or Accreted Value due on term Bonds on the dates such Bonds are to be redeemed in accordance with a mandatory sinking fund redemption schedule set forth in a Supplemental Indenture.

Refunding Bonds means Bonds issued for the purpose of refunding, and proceeds of which are used to refund, New Money Bonds or other Refunding Bonds.

RIDOT means the State of Rhode Island and Providence Plantations, acting by and through Rhode Island Department of Transportation created pursuant to Chapter 42-12 of the Rhode Island General Laws (1956), as amended, its successors and assigns.

RIDOT Representative means (a) the Director of RIDOT; (b) the Deputy Director of RIDOT; (c) the Associate Director for Finance of RIDOT; or (d) any other officer or employee of RIDOT authorized by law or by a writing signed by the Director to act as a RIDOT Representative under the Master Indenture or any Supplemental Indenture.

Series means the Bonds designated as a separate series in a Supplemental Indenture and any Bonds authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Master Indenture or any Supplemental Indenture.

S&P means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors.

Special Record Date means a special date fixed to determine the names and addresses of Owners of Bonds for purposes of paying defaulted interest on Current Interest Bonds in accordance with the Master Indenture.

State means the State of Rhode Island and Providence Plantations.

Supplemental Indenture means any indenture supplementing or amending the Master Indenture.

Tax Certificate means, with respect to each Series of Bonds on which the Issuer intends the interest to be excluded from gross income for federal income tax purposes, (a) the arbitrage and use of proceeds certificate or other instrument that sets forth the Issuer's expectations regarding the investment and use of proceeds of such Bonds and other matters relating to Bond Counsel's opinion regarding the federal income tax treatment of interest on such Bonds, including any instructions delivered by Bond Counsel in connection with such certificate, instrument or opinion; and (b) any amendment or modification of any such certificate, instrument or instructions that is accompanied by an opinion of Bond Counsel stating that the amendment or modification will not adversely affect the exclusion of interest on such Bonds from gross income for federal income tax purposes.

Title 23 means Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

Trust Estate means the property granted to the Trustee pursuant to the Master Indenture.

Trustee means J.P. Morgan Trust Company, National Association, acting in its capacity as trustee under the Master Indenture, and any successor thereto.

Trustee Representative means any officer of the Trustee and any other person authorized by a writing signed by an officer of the Trustee to act as a Trustee Representative under the Master Indenture or any Supplemental Indenture.

Grant of Trust Estate (Section 2.01)

The Issuer, in consideration of the premises, the purchase of the Bonds by the Owners and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, in order to secure the payment of the Bond Payments on all Bonds at any time Outstanding under the Master Indenture, to secure the performance and observance of all the covenants and conditions set forth in the Bonds, the Master Indenture and any Supplemental Indenture, and to declare the terms and conditions upon and subject to which the Bonds are issued and secured, has executed and delivered the Master Indenture and has granted, assigned, pledged, bargained, sold, alienated, remised, released, conveyed, set over and confirmed, and by these presents does grant, assign, pledge, bargain, sell, alienate, remise, release, convey, set over and confirm unto the Trustee and to its successors and assigns forever, all and singular the following described property, franchises and income, including any title or interest therein acquired after these presents (referred to in the Master Indenture as the "Trust Estate"):

(a) all Federal Transportation Funds that are paid to the Issuer or the Trustee and available in accordance with Title 23, the Federal Aid Agreements and the Program Act for payment of the Bond Payments and Program Costs, together with the right of the Issuer to receive such funds;

(b) all money from time to time held by the Trustee under the Master Indenture or any Supplemental Indenture in any fund or account other than (i) the Rebate Fund, (ii) the Construction Fund, (iii) any Defeasance Escrow Account and (iv) any fund

or account created by a Supplemental Indenture that is expressly excluded from the Trust Estate; and

(c) any and all other property, revenues or funds that do not constitute revenues or funds of the State from time to time hereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security under the Master Indenture , by the Issuer, the State or anyone else, in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms thereof.

Effect of Pledge (Section 2.02)

(a) the proceeds from the issuance of Bonds that are pledged pursuant to the Master Indenture shall be used only for the purpose or purposes for which such revenues are pledged;

(b) the Issuer Act provides that such pledge of such Federal Transportation Funds shall be valid and binding from the time such funds are transferred to the Trustee or the Issuer, and any pledge of the proceeds of any Bonds pursuant to the Master Indenture shall be valid and binding from the date of issuance of such Bonds;

(c) the Issuer Act provides that all such pledges shall create a valid security interest, and such revenues shall immediately be subject to the lien of the pledge and security interest without any physical delivery or further act, and the lien of the pledge and security interest shall be valid and binding against all parties having claims of any kind in tort, contract, or otherwise against the pledging party irrespective of whether such claiming party has notice of such lien; and

(d) the Issuer Act provides that the instrument by which the pledge and security interest is created need not be recorded or filed in order to perfect such pledge and security interest.

Bonds Secured on a Parity Unless Otherwise Provided (Section 2.04)

The Trust Estate shall be held by the Trustee for the equal and proportionate benefit of the Owners of all Outstanding Bonds, and any of them, without preference, priority or distinction as to lien or otherwise, except as expressly set forth in the Master Indenture or any Supplemental Indenture.

Limited Obligations (Section 2.05)

Notwithstanding any other provision of the Master Indenture:

(a) The Bond Payments shall be payable solely from Federal Transportation Funds, subject to annual appropriation by the State, that are received by the Issuer or the Trustee and moneys held in the Bond Payment Fund. The Owners and holders of the Bonds may not look to any other revenues of the Issuer, the State or RIDOT for the payment of the Bonds.

(b) All financial obligations of the Issuer under the Master Indenture, every Supplemental Indenture and the Bonds (i) are special, limited obligations of the Issuer payable solely from the Trust Estate (subject to annual appropriation by the State of Federal Transportation Funds) and shall not constitute nor give rise to a pecuniary liability or a charge against the general credit of the Issuer or the State and (ii) shall not be deemed or construed as creating a debt, liability or obligation of the State, or any political subdivision of the State, nor a pledge of the faith and credit of the State or any political subdivision or municipality of the State within the meaning of the State Constitution or the laws of the State concerning or limiting the creation of indebtedness by the State or any political subdivision of the State.

(c) The provisions under this heading are expressly incorporated into each Supplemental Indenture. The Bonds shall contain statements substantially to the effect of subsections (a) and (b) of this heading.

Indenture Constitutes a Contract; Obligation of Indenture and Bonds (Section 2.06)

In consideration of the purchase and acceptance of any and all of the Bonds authorized from time to time to be issued under the Master Indenture, as amended or supplemented, by those who shall hold the same from time to time: the Master Indenture shall be deemed to be and shall constitute a contract among the Issuer, the Trustee, the Owners from time to time of the Bonds and, with respect to certain provisions thereof, RIDOT; the pledge of certain funds, accounts, revenues and other moneys, rights and interests made in the Master Indenture and the covenants and agreements set forth in the Master Indenture to be performed by and on behalf of the Issuer, including the covenants of RIDOT as set forth in the Master Indenture, shall be for the equal and ratable benefit, protection and security of the Owners of any and all of the Bonds, all of which regardless of the time or times of their issue or maturity shall be of equal rank without preference, priority or distinction of any of such Bonds over any other thereof, except as expressly provided in or permitted by the Master Indenture; and the Bonds shall be special, limited obligations of the Issuer payable solely from the Trust Estate as provided therein. Pursuant to Section 42-64-17 of the Issuer Act, the rights and remedies provided by Section 42-64-25 of the Issuer Act are abrogated.

Authorization, Purpose, Name (Section 3.01)

The Issuer authorizes the issuance of grant anticipation obligations pursuant to the Act (the "Bonds") for the purpose of financing the Construction Projects or Refunding Bonds that

were issued to finance the Construction Projects. The Bonds may be issued in one or more separate Series pursuant to one or more Supplemental Indentures and shall be named “Rhode Island Economic Development Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation).” The Bonds of each Series may also include the name of, or other information identifying, the Series of which they are a part, together with such further or different designations as may be deemed appropriate, as provided by the Supplemental Indenture. The aggregate principal amount of Bonds which may be issued shall not be limited except as provided in the Master Indenture or as may be limited by law provided that the aggregate principal amount of Bonds of each Series shall not exceed the amount specified in the Supplemental Indenture authorizing each such Series of Bonds. Bonds may only be issued in accordance with the Master Indenture and the Act.

Additional Bonds (Section 3.02)

No Series of Bonds may be issued unless each of the following conditions applicable thereto have been satisfied:

- (a) Before any Series of Bonds constituting New Money Bonds are issued or incurred, it shall be determined that:
 - (i) All accumulations required to be made into the Bond Payment Fund, or other similar account for Outstanding Bonds, are current.
 - (ii) A certificate of an Authorized Issuer Representative and of a RIDOT Representative to the effect that (i) to the best of his or her knowledge no Event of Default exists in connection with any of the covenants or requirements of the Indenture and (ii) the issuance of all Bonds issued through and including the date thereof and application of the proceeds thereof in accordance with the terms of the Indenture, taking into account the actual application of proceeds through the date thereof, will not violate any limitation set forth in the Program Act.
 - (iii) A certificate has been delivered showing compliance with all applicable provisions of Title 23 and any other applicable law necessary on the date of the delivery of a Series of Bonds to receive and continue to receive federal aid highway funds for the payment of the Bonds pursuant to Title 23 without penalty.
 - (iv) A certificate of a RIDOT Representative has been delivered, dated the date of issuance, setting forth:
 - (w) the amount of Federal Transportation Funds either: (A) anticipated to be received by RIDOT during the Federal Fiscal Year in which the proposed Series of Bonds are to be issued, or (B) received by RIDOT in either of the prior two Federal Fiscal Years preceding the authentication and delivery of the Series of additional Bonds then proposed to be issued;
 - (x) the maximum annual Bond Payments for the Outstanding Bonds in the current and each future Federal Fiscal Year including the Series of additional Bonds proposed to be issued, but in the case of a Series of additional

Bonds for refunding purposes, excluding the Bond Payments on the Bonds to be refunded; and

(y) showing the Federal Transportation Funds set forth pursuant to (w) is not less than the Required Coverage (defined below) of the maximum annual Bond Payments for each Federal Fiscal Year set forth in (x).

“Required Coverage” means:

(I) 150%, for each Federal Fiscal Year that ends on or before the expiration date of the Federal Aid Authorization for Title 23 then in effect (which date, at the time of the adoption of the Master Indenture through and including September 30, 2009, is deemed for all purposes of this heading to be no sooner than September 30, 2009); and

(II) 300%, for each Federal Fiscal Year that ends after the expiration date of the Federal Aid Authorization for Title 23 then in effect.

(v) A certificate of RIDOT dated the date of delivery shall have been delivered to the Issuer and the Trustee that states in substance that RIDOT has no information which indicates that Federal Transportation Funds will not be available to the State or will be substantially reduced, during the term of the then current Federal Aid Authorization, which includes the project(s) to be funded with the additional Series of Bonds and that it is the Director’s reasonable belief that sufficient Federal Transportation Funds will continue to be available to the State pursuant to Title 23 during that period of time.

(vi) Notwithstanding provisions in the Master Indenture, the requirements of Subsection (a)(iv) of this heading may be revised or deleted in their entirety upon the Issuer’s receipt of Rating Confirmation from each Rating Agency.

(b) A written certification or opinion by an Authorized Issuer Representative that the requirements of this heading have been satisfied shall be conclusively presumed to be accurate in determining the right to authorize, issue, sell and deliver the Series of Bonds proposed to be issued.

(c) Until all Bond Payments and Program Costs are paid in full and while any Bonds are Outstanding, no bonds, notes, debentures or other obligations shall be issued or incurred having a lien on the Trust Estate prior and superior to the lien thereon of the Bonds.

(d) Before any Series of Bonds constituting Refunding Bonds are issued, all of the following additional conditions shall be satisfied:

(i) Either the requirements of Subsection (a)(iv) of this heading shall have been met (as and if in effect on such date) or a certificate of an Authorized Issuer Representative shall state that following the issuance of the Refunding Bonds (including Bond Payments with respect to the Refunding Bonds, but excluding Bond Payments with respect to the refunded Bonds), the aggregate amount of Bond Payments due in any Federal Fiscal Year, through and

including the latest maturity of any Bonds then Outstanding, shall be no greater than immediately prior to the issuance of such Refunding Bonds.

(ii) If any of the Bonds to be refunded are to be redeemed prior to their scheduled maturity date, an Authorized Issuer Representative has directed the Trustee to deliver redemption notices and to redeem the Bonds to be refunded in accordance with the provisions of the Master Indenture and any applicable provisions of any Supplemental Indenture.

(iii) The Federal Aid Agreements pursuant to which Federal Transportation Funds are payable with respect to the Bond Payments on the refunded Bonds have been modified to provide that Federal Transportation Funds will be paid with respect to the Bond Payments on the Refunding Bonds or FHWA has agreed that Federal Transportation Funds will be paid with respect to the Bond Payments on the Refunding Bonds without any modification of such Federal Aid Agreements.

(e) If the additional Series of Bonds are not part of the first Series of Bonds, an Authorized Issuer Representative certifies that as of the date of issuance of the additional Bonds, either:

(i) there is no Event of Default under the Master Indenture; or

(ii) if there is an Event of Default under the Master Indenture, the Event of Default will be cured upon the issuance of the additional Bonds and the application of the proceeds of the additional Bonds in accordance with the Supplemental Indenture authorizing the issuance of the additional Bonds.

(f) An Authorized Issuer Representative and the Trustee enter into a Supplemental Indenture authorizing the issuance of the additional Series of Bonds, which Supplemental Indenture specifies the following:

(i) The Series designation, the name, the aggregate principal amount, the Authorized Denominations, the dated date, the maturity date or dates and the form of the additional Bonds, as bonds or notes, and, if the additional Bonds are Capital Appreciation Bonds, the aggregate Original Principal Amount of each Series and of each Authorized Denomination of such Series.

(ii) If the additional Bonds are Current Interest Bonds, the interest rate or rates, if any, or the method for determining the interest rate or rates on the additional Bonds, which rates may be fixed, adjustable or variable or any combination thereof, and, if any such rate is adjustable or variable, the standard, index, method or formula to be used to determine the interest rate and the maximum interest rate applicable to the additional Bonds; and the Interest Payment Date or Dates for the payment of such interest.

(iii) If the additional Bonds are Capital Appreciation Bonds, the Maturity Value, Accreted Value and Accretion Dates, or the manner of determining the same, for the additional Bonds.

- (iv) The redemption provisions, if any, for the additional Bonds.
- (v) The form of the additional Bonds.
- (vi) The manner in which the proceeds of the additional Bonds are to be applied.
- (vii) Any variations from the terms set forth in the Master Indenture with respect to the additional Bonds.
- (viii) Any other provisions deemed by an Authorized Issuer Representative to be advisable or desirable to be included in such Supplemental Indenture that do not violate and are not in conflict with the Master Indenture or any previous Supplemental Indenture.

(g) Bond Counsel has delivered a written opinion to the effect (which may be subject to customary assumptions and limitations) that (i) the additional Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special, limited obligations of the Issuer, payable from the sources provided in the Master Indenture and the applicable Supplemental Indenture; (ii) the Master Indenture creates a valid pledge of and lien on the Trust Estate, subject to the terms thereof; and (iii) if the interest on the additional Bonds is intended by the Issuer to be excluded from gross income for federal income tax purposes, interest on the additional Bonds is excluded from gross income for federal income tax purposes.

Delivery of Bonds and Application of Proceeds (Section 3.04)

Upon the execution and delivery to the Trustee of an originally signed counterpart of the Master Indenture prior to the issuance of the first Series of Bonds and the execution and delivery to the Trustee of an originally signed counterpart of a Supplemental Indenture relating to such Series of Bonds, the Trustee shall deliver the Bonds of the Series authorized by such Supplemental Indenture to the Original Purchaser in exchange for the purchase price thereof and the purchase price shall be applied as provided in the Supplemental Indenture relating to such Series of Bonds.

Optional Redemption Payments (Section 4.09)

Unless otherwise provided by the Supplemental Indenture:

(a) On or prior to the Business Day immediately preceding the date fixed for redemption of any Bonds at the option of the Issuer, the Issuer shall pay or cause to be paid to either (i) to the Trustee for deposit into the Bond Payment Fund created for such purpose, moneys which, together with other moneys then on deposit in the Bond Payment Fund that are not required to pay Bond Payments due in such Federal Fiscal Year on Bonds that are not being redeemed, are sufficient to pay the Redemption Price of the Bonds to be redeemed on the date fixed for redemption or (ii) to an escrow agent for deposit into an escrow fund (including a Defeasance Escrow Account) created for such purpose, moneys which are sufficient, together with other moneys then available, are

sufficient to pay the Redemption Price of the Bonds to be redeemed on the date fixed for redemption. The Issuer may make such payment from any legally available moneys. The Trustee shall use the moneys paid to it for such purpose and such other available moneys in the Bond Payment Fund to pay the Redemption Price due on the Bonds to be redeemed on the date fixed for redemption. Upon the giving of notice and the deposit of such funds as may be available for redemption pursuant to the Master Indenture or an escrow deposit agreement, interest and Accreted Value on the Bonds or portions thereof thus called for redemption shall no longer accrue or accrete after the date fixed for redemption.

(b) The Trustee or escrow agent, as applicable, shall pay to the Owners of Bonds so redeemed, the amounts due on their respective Bonds, at the Operations Center of the Trustee upon presentation and surrender of the Bonds.

State Redemption (4.13)

To the extent required by the Issuer Act, the State may, upon furnishing sufficient funds, require the Issuer to redeem, prior to maturity, as a whole, the Bonds of any Series on any interest payment date not less than 20 years after the date of such Bonds at one hundred five percent (105%) of their face value and accrued interest or any lower redemption price as may be provided in the Bonds in case of the redemption of the Bonds as a whole on the redemption date.

Bond Payment Fund (Section 5.01)

(a) ***Creation of Bond Payment Fund.*** Pursuant to the Master Indenture, a special fund is created with the Trustee to be designated the Rhode Island Economic Development Corporation Grant Anticipation Bonds Bond Payment Fund (the “Bond Payment Fund”), which shall be used to pay the Bond Payments on and Redemption Price of the Bonds. The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Bond Payment Fund to account for the receipt of moneys to pay, and the payment of, the Bond Payments on and Redemption Price of each Series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to moneys in the Bond Payment Fund.

(b) ***Deposits into Bond Payment Fund.*** There shall be deposited into the Bond Payment Fund (i) all accrued interest received at the time of the issuance of any Bonds; (ii) any capitalized interest from the proceeds of a Series of Bonds unless deposited in the Construction Fund pursuant to a Supplemental Indenture; (iii) to the extent necessary to make the next Bond Payment, amounts paid to the Trustee pursuant to the Master Indenture from Federal Transportation Funds; (iv) any moneys paid by the Issuer with respect to the Redemption Price of Bonds pursuant to the Master Indenture, (v) any moneys transferred to the Bond Payment Fund from the Construction Fund pursuant to the Master Indenture; (vi) moneys deposited into the Bond Payment Fund pursuant to the Master Indenture following an Event of Default; and (vii) all other moneys received by the Trustee accompanied by directions that such moneys are to be deposited into the Bond Payment Fund.

(c) ***Use of Moneys in Bond Payment Fund.*** Moneys in the Bond Payment Fund shall be used, as further provided in the Master Indenture, solely for the payment of the Bond Payments on and Redemption Price of the Bonds and, solely to the extent such payments have been determined to be on a parity with Bond Payments in accordance with the Master Indenture, to make payments to the providers of Credit Facilities and Interest Rate Exchange Agreements; provided that (i) moneys representing accrued interest received at the time of the issuance of any Series of Bonds shall be used to pay the first interest payment due on such Bonds; (ii) moneys paid by the Issuer with respect to the Redemption Price of Bonds pursuant to the Master Indenture shall be used to pay the Redemption Price of the Bonds to be redeemed; and (iii) moneys held in the Bond Payment Fund following an Event of Default shall be used as provided in the Master Indenture.

Construction Fund (Section 5.02)

(a) ***Creation of Construction Fund.*** Pursuant to the Master Indenture, a special fund is created with the Trustee to be designated the Rhode Island Economic Development Corporation Grant Anticipation Bonds Construction Fund (the “Construction Fund”). The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Construction Fund to account for the receipt and disbursement of proceeds of each Series of Bonds and shall create and maintain a separate account identified as the Earnings Account (the “Earnings Account”).

(b) ***Deposits into Construction Fund.*** There shall be deposited into the appropriate account of the Construction Fund, proceeds of each Series of Bonds as provided in the applicable Supplemental Indenture.

(c) ***Use of Moneys in Construction Fund.*** Upon the written direction of an Authorized Issuer Representative, any amounts on deposit in the Construction Fund shall be transferred to or upon the order of the Issuer for the payment of, or reimbursement for, costs of issuance relating to any Bonds. So long as no Event of Default described in the Master Indenture then exists, moneys held in the Construction Fund (including the Earnings Account) shall be disbursed to RIDOT (or the payee indicated by RIDOT) to pay Construction Costs, or reimburse such costs, upon receipt of a requisition signed by the RIDOT Representative in substantially the form attached to the Master Indenture as Appendix A; *provided, however, that* requisitions of amounts in the Earnings Accounts shall not require the information set forth in columns (e), (f), (g) and (h) unless the Payment Agreement provides otherwise. Moneys held in the Construction Fund following such an Event of Default may be transferred at the direction of the Director of RIDOT or the Director of Administration to the Bond Payment Fund in accordance with the Master Indenture. In the event of a transfer pursuant to the preceding sentence followed by the availability of sufficient amounts to the Trustee from Federal Transportation Funds or other sources in excess of any amount necessary to make any Bond Payments then due, such excess amount up to the amount transferred from the Construction Fund to the Bond Payment Fund shall be transferred to the Construction Fund upon the direction of the Director of RIDOT or the Director of Administration. Upon the receipt by the Trustee and the Issuer of a certificate from the Director of

RIDOT stating that all the Construction Projects have been completed and all required amounts have been deposited into the Rebate Fund, the remaining moneys in the Construction Fund, minus any amount estimated by the Director of RIDOT necessary to pay Construction Costs that have not yet been paid, shall be transferred by the Trustee to RIDOT.

Rebate Fund (Section 5.03)

(a) *Creation of Rebate Fund.* Pursuant to the Master Indenture, a special fund is created with the Trustee to be designated Rhode Island Economic Development Corporation Grant Anticipation Bonds Rebate Fund (the “Rebate Fund”). The Trustee shall create and maintain separate accounts identified by the appropriate Series designation within the Rebate Fund to account for rebate payments due on each Series of Bonds.

(b) *Deposits into Rebate Fund.* There shall be deposited into the appropriate account of the Rebate Fund moneys paid to the Trustee pursuant to the Master Indenture.

(c) *Use of Moneys in Rebate Fund.* The Trustee at the direction of and on behalf of an Authorized Issuer Representative shall use moneys in the Rebate Fund to make rebate payments to the United States in accordance with the Tax Certificates. If the amount on deposit in the Rebate Fund at any time is greater than the amount required under the Tax Certificates, the excess shall be transferred to the Bond Payment Fund, to the Construction Fund or to RIDOT, as directed by an Authorized Issuer Representative, unless an Event of Default has occurred and is continuing, in which case the excess shall be transferred to the Bond Payment Fund.

(d) *Administration of Rebate Fund.* The Trustee at the direction of an Authorized Issuer Representative shall invest the Rebate Fund in accordance with the Tax Certificates and shall deposit earnings from the investment of moneys in the Rebate Fund into the Rebate Fund immediately upon receipt thereof. Records with respect to the deposits to, payments from and administration of the Rebate Fund shall be retained by the Issuer and the Trustee until six years after the final retirement of the Bonds.

Moneys to be Held in Trust (Section 5.04)

The Bond Payment Fund and, except for the Construction Fund and the Rebate Fund, any other fund or account created pursuant to the Master Indenture that is not expressly excluded from the Trust Estate shall be held by the Trustee, for the benefit of the Owners as specified in the Master Indenture, subject to the terms of the Master Indenture and any Supplemental Indenture. The Construction Fund shall be held for the purposes specified therefor, including payments, if any, to the Bond Payment Fund as directed by the Director of RIDOT or the Director of Administration, and the Rebate Fund shall be held by the Trustee for the purpose of making payments to the United States pursuant to the previous heading. Any Defeasance Escrow Account shall be held for the benefit of the Owners of the Bonds to be paid therefrom as provided in the agreement governing such Defeasance Escrow Account.

Investment of Moneys (Section 5.05)

(a) RIDOT, the Issuer and the Trustee agree that all moneys held as part of any fund or account created pursuant to the Master Indenture shall be deposited or invested and reinvested by the Trustee, at the written direction of an Authorized Issuer Representative, in any Permitted Investments.

(b) Earnings and losses from the investment of moneys held in the Construction Fund or any account thereof shall be deposited into or charged against the Construction Fund, with any earnings being deposited into the Earnings Account thereof unless, and except to the extent, an Authorized Issuer Representative directs the Trustee to deposit any such earnings into the Bond Payment Fund.

(c) Earnings and losses from the investment of moneys held in the Bond Payment Fund or any account thereof shall, except as otherwise provided by Supplemental Indenture, be deposited into or charged against the fund or account in which realized.

(d) Earnings and losses from the investment of moneys held in any account of the Rebate Fund or any account thereof shall, except as otherwise provided in the Tax Certificates, be deposited into or shall be charged against the account in which realized.

(e) Earnings and losses from the investment of moneys held in any Defeasance Escrow Account shall be deposited or charged as provided in the escrow agreement governing such account.

(f) The Trustee shall, when and as directed by an Authorized Issuer Representative, sell and reduce to cash a sufficient amount of the investments held in any fund or account whenever the cash balance therein is insufficient to make any payment to be made therefrom.

(g) In computing the amount in any fund or account for any purpose thereunder, investments shall be valued at cost (exclusive of accrued interest) or par, whichever is less.

Application of Federal Transportation Funds (Section 5.06)

The assignment and pledge of Federal Transportation Funds to the Trustee for the benefit of the Owners of the Bonds under the Master Indenture is intended to and shall constitute a first lien on such Federal Transportation Funds received by the Issuer or the Trustee. All Federal Transportation Funds received by the Issuer or the Trustee shall constitute Federal Transportation Funds which shall be subject to the assignment and lien thereof upon receipt thereof by the Issuer or the Trustee, as applicable.

Amounts received by the Issuer or the Trustee pursuant to the Master Indenture shall be deposited and used only in the manner and order of priority specified below.

(a) Deposits shall be made into the Bond Payment Fund, as set forth in the Master Indenture. Amounts on deposit in an account of the Bond Payment Fund shall be used only to pay Bond Payments and Redemption Price on the related Series of Bonds and for the purposes permitted by the Master Indenture. Moneys on deposit in the Bond Payment Fund shall be used to make the following payments or for the following purposes:

Bonds;

(i) Interest Component. To pay the next maturing interest payment on the

Bonds.

(ii) Principal Payments. To pay the next maturing principal payment on the

(iii) Redemption Price. To pay the Redemption Price of the Bonds next coming due pursuant to redemption prior to maturity.

(b) Federal Transportation Funds shall be deposited, as necessary, in the Rebate Fund as required by the Master Indenture.

(c) Federal Transportation Funds may be used to pay or provide for debt service or any other obligations without a lien on Federal Transportation Funds equal to the lien thereon of Bonds.

(d) Subject to the preceding paragraphs under this heading and Section 2.01 of the Master Indenture, Federal Transportation Funds may be released free and clear of the lien of the Master Indenture, if and to the extent (i) not required for Current Payments and (ii) as provided in a certificate of the RIDOT Director approved by the Director of Administration, not expected to be needed for any subsequent Bond Payments.

(e) Except as required by this Section and for amounts held for the payment of Bonds not then deemed Outstanding, Federal Transportation Funds need not be retained for any use or in any account described in this Section in excess of the Federal Transportation Funds required for Current Payments if and to the extent such amounts are not expected to be needed for any subsequent Bond Payments.

Representations, Covenants and Warranties (Section 6.01 through 6.09)

The Issuer and RIDOT represent, covenant and warrant as indicated in the Master Indenture that:

(a) The execution, delivery and performance of the Master Indenture by the Issuer, and the agreement with, acknowledgment and approval thereof and consent thereto by RIDOT, are authorized by the Act and, upon the execution and delivery of the Master Indenture by the Trustee and an Authorized Issuer Representative, and the agreement with, acknowledgment and approval thereof and consent thereto by RIDOT, the Master Indenture will be enforceable against the Issuer and, to the extent applicable, RIDOT, in accordance with its terms, limited only by bankruptcy, insolvency,

reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(b) RIDOT is the State agency authorized by federal law to receive Federal Transportation Funds payable to the State from FHWA.

(c) The execution, delivery and performance of the Federal Aid Agreements by RIDOT are authorized by State law and, upon execution and delivery of the Federal Aid Agreements by RIDOT and FHWA, the Federal Aid Agreements are and will be enforceable against RIDOT (and we know of no reason such Federal Aid Agreements would not be enforceable against FHWA) in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(d) The execution, delivery and performance of its obligations under the Master Indenture and the Federal Aid Agreements by the Issuer or RIDOT, as applicable, do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Issuer or RIDOT are now a party or by which the Issuer or RIDOT are bound, or constitute a default under any of the foregoing, or, except as specifically provided in the Master Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of either the Issuer or RIDOT.

(e) RIDOT will comply with its obligations under the Federal Aid Agreements, and will take all other actions required to maintain the Federal Aid Agreements in full force and effect.

(f) RIDOT will take all action necessary to ensure that (i) each Construction Project at all times qualifies as a Qualified Federal Transportation Project; (ii) each Construction Project that may be financed, in whole or in part, with Federal Transportation Funds paid pursuant to Title 23, at all times qualifies as a project with respect to which RIDOT is entitled to reimbursement of previously-expended funds under 23 U.S.C. § 115, as amended, and the regulations promulgated thereunder; and (iii) Federal Aid Agreements are maintained in full force and effect pursuant to which FHWA has agreed to make payments of Federal Aid Transportation Funds in an amount at least equal to the Bond Payments due on each Bond Payment Date. Such action shall include, but shall not be limited to (A) entering into any modification of a Federal Aid Agreement required to assure that Federal Transportation Funds payable thereunder are payable with respect to any Refunding Bonds; and (B) the repayment to FHWA, from moneys other than moneys included in the Trust Estate, of any Federal Transportation

Funds paid pursuant to a Federal Aid Agreement during any period in which the Construction Project did not qualify under clause (i) or (ii) of this subsection.

(g) There is no litigation or proceeding pending or threatened against either the Issuer or RIDOT or any other Person affecting the right of either the Issuer or RIDOT to execute, deliver or perform their respective obligations under the Master Indenture or the Federal Aid Agreements.

(h) The amount of funds borrowed pursuant to each Supplemental Indenture will not exceed the sum of (i) the cost of the Construction Projects to be financed and (ii) an amount necessary to pay any applicable Program Costs.

(i) The execution and delivery of the Master Indenture, the fulfillment of or compliance with the terms and conditions in the Master Indenture and the consummation of the transactions contemplated therein do not conflict with or result in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which either the Issuer or, to the extent applicable, RIDOT is a party or by which the Issuer or RIDOT is bound or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Issuer or RIDOT or the properties of either are subject or constitute a default under any of the foregoing.

(j) So long as Bonds are Outstanding, the pledge by the Issuer of the Federal Transportation Funds received by the Issuer or the Trustee for the payment of Bond Payments and Program Costs shall be irrevocable until all Bond Payments and Program Costs have been paid in full.

(k) RIDOT covenants that the portion of the Federal Transportation Funds necessary to pay the Bond Payments and Program Costs, as and when due, shall neither be budgeted nor expended to pay current or anticipated operational or other expenses of RIDOT (other than Bond Payments and Program Costs).

(l) RIDOT will annually apply for and reasonably cooperate with FHWA in order to receive the greatest amount of Federal Transportation Funds reasonably available to RIDOT for payment of the Bond Payments and Program Costs.

(m) The payment of Federal Transportation Funds, subject to annual appropriation by the State, to the Trustee for the payment of Bond Payments is unconditional and neither the Issuer nor RIDOT is entitled to offset any such payment as a result of the failure to perform by any contractor of any of its obligations relating to the Construction Projects or for any other reason.

(n) As soon as practicable in each Federal Fiscal Year while Bonds are Outstanding, RIDOT will request FHWA to provide Obligation Authority sufficient to pay the Bond Payments and Program Costs coming due in the current Federal Fiscal Year prior to obligating Federal Transportation Funds for any other purpose coming due in that Federal Fiscal Year. In each Federal Fiscal Year, RIDOT will obligate (to the extent not previously obligated) and draw Federal Transportation Funds, subject to annual

appropriation by the State, to make Bond Payments coming due in that Fiscal Year. RIDOT will not take any action that would result in, or fail to take any action that would prevent, the reduction or withdrawal of such Obligation Authority and will not de-obligate any such Federal Transportation Funds to the extent needed to make Bond Payments coming due in that Fiscal Year.

(o) RIDOT covenants that all Bonds are, or will be, eligible debt financing instruments under Title 23 and the payment of Bond Payments and Program Costs are all eligible for payment or reimbursement from Federal Transportation Funds.

(p) RIDOT covenants, to the extent within its reasonable power and authority, to ensure that each Construction Project will be constructed expeditiously. Upon completion of construction for each Construction Project, RIDOT will take all steps necessary to obtain any required approval of FHWA of such Construction Project.

(q) RIDOT covenants that the Director is the official of the State authorized by law to receive Federal Transportation Funds available to RIDOT for the Construction Projects and to receive other amounts of Obligation Authority allocated or apportioned to the State and other United States Government funds available to the State for RIDOT to carry out its programs, duties or services and the Director has applied for and received and will continue to receive, Federal Transportation Funds.

(r) RIDOT covenants that no state agency or department of the State is entitled to receive Federal Transportation Funds, other than RIDOT.

(s) RIDOT shall at all times comply with the Act and the provisions of Title 23, the regulations promulgated thereunder, all other federal laws and regulations, the State Constitution and all other State laws relating to the Bonds, the Construction Projects and the subject matter of the Master Indenture and each Supplemental Indenture.

(t) RIDOT covenants that it shall submit requisitions in substantially the form of **Appendix A** as such form may be revised from time to time by the Issuer, that such requisitions shall be true, correct and complete in all material respects, and that RIDOT shall not submit any requisition or otherwise apply proceeds of Bonds in a manner that would cause any limitation contained in the Program Act to be exceeded.

Payment of Bond Payments and Program Costs

(a) The Issuer covenants to pay, when due, solely from Federal Transportation Funds paid to the Issuer or the Trustee or other funds available in the Trust Estate, the Bond Payments. Nothing in the Master Indenture shall be construed as obligating the Issuer or RIDOT to pay Bond Payments from any general or other funds of the Issuer, the State or RIDOT other than Federal Transportation Funds, subject to annual appropriation by the State. Nothing contained in the Master Indenture, however, shall be constituted as prohibiting the Issuer in its sole and absolute discretion, from making such payments from any other sources, to the extent legally available for that purpose.

(b) The Issuer shall promptly pay, when due any Program Costs not otherwise paid. Any Program Costs payable to the Trustee and the Paying Agent shall be paid by the Issuer to the Trustee on or prior to the due dates thereof. Program Costs are payable solely from Federal Transportation Funds or the proceeds of Bonds. Nothing in the Master Indenture shall be construed as obligating the Issuer or RIDOT to pay Program Costs from any general or other fund of the Issuer, the State or RIDOT, other than Federal Transportation Funds, subject to annual appropriation by the State. Nothing contained in the Master Indenture, however, shall be construed as prohibiting the Issuer or RIDOT in its sole and absolute discretion, from making such payments from other sources, to the extent legally available for that purpose.

Payment of Federal Funds to Trustee

(a) Subject to annual appropriation by the State, no later than six Business Days prior to each Bond Payment Date, RIDOT shall forward, or cause to be forwarded, in immediately available funds to the Trustee an amount of Federal Transportation Funds equal to the Bond Payment becoming due to the Trustee for receipt by the Trustee five Business Days (or such other date prior to the Bond Payment Date if limited by FHWA) prior to the respective Bond Payment Date. The Trustee shall deposit the Bond Payments and other revenues received by the Trustee as set forth in the Master Indenture.

(b) If and to the extent the entire amount of the Bond Payments due on a Bond Payment Date is not paid to the Trustee in accordance with clause (a) of this heading, the Trustee shall immediately notify the Issuer and RIDOT and, if and to the extent RIDOT has Federal Transportation Funds that are available for such purpose, RIDOT shall pay directly to the Trustee, within 24 hours after the receipt of such notice, Federal Transportation Funds in an amount equal to the amount not so paid.

(c) The Issuer and RIDOT shall (i) comply with their respective obligations under the Payment Agreement, and shall use their best efforts to cause each other party to the Payment Agreement to comply with their respective obligations thereunder, but only to the extent any failure to comply would be materially adverse to the ability of the Trustee to pay any Bond Payments from Federal Transportation Funds, including such actions as are necessary to cause Federal Transportation Funds to be appropriated for such purposes by the State; (ii) use their best efforts to take all actions reasonably necessary in their respective judgement to protect their respective rights under the Payment Agreement; and (iii) not consent to or participate in any amendment, alteration, modification or other change with respect to the Payment Agreement, but only to the extent that any such amendment, alteration, modification or other change, as of the date thereof, would be expected by the respective party to materially and adversely impair the ability of the Trustee to pay any Bond Payments from Federal Transportation Funds or the Security provided for the Bonds under the Master Indenture; provided, however, that any amendment, alteration, modification or other change with respect to the Payment Agreement may be made with the consent of not less than a majority in aggregate principal amount of the Bonds then Outstanding, obtained in accordance with the Master Indenture, provided further that in no event shall a change to the Payment Agreement (i) to provide for the payment of additional Bonds or other obligations of the Issuer

issued in accordance with the Indenture or (ii) to conform to provisions of State law respecting the process for appropriations or the organization of the government of the State, in either case, be deemed to be materially adverse.

Rebate Payments by the Issuer

The Issuer shall pay to the Trustee, to the extent permitted by law, from moneys in the Trust Estate or from moneys requisitioned from the Construction Fund pursuant to the Master Indenture or from any other fund or account created by the Master Indenture at the times and in the amounts required to make rebate payments due to the United States in accordance with the Master Indenture and the Tax Certificates.

Other Payments by RIDOT

Nothing therein shall be interpreted to restrict RIDOT's right, to the extent permitted by law, (a) to make any payment due to the Trustee under the Master Indenture or any other provision thereof or any provision of any Supplemental Indenture from any Federal Transportation Funds or any other available moneys and (b) to reimburse RIDOT or the fund from which such payment is made from moneys that otherwise would have been used to make such payment.

Credit Facilities and Interest Rate Exchange Agreements

Notwithstanding any other provision of the Master Indenture:

(a) The Issuer may purchase or arrange for a Credit Facility with respect to any Bonds and may agree to reimburse the provider of such Credit Facility for moneys paid by the provider that are used to make Bond Payments on such Bonds, which reimbursement may be made from any moneys in the Trust Estate that are available for the payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(b) To the extent permitted by law, the Issuer may purchase or arrange for an Interest Rate Exchange Agreement with respect to any Bonds and may agree to make payments to the provider of such Interest Rate Exchange Agreement, which may be made from any moneys in the Trust Estate that are available for payment of Bond Payments on such Bonds on a parity with or on a basis subordinate to the payment of such Bond Payments.

(c) All or any portion of the agreement between the Issuer and the provider of any Credit Facility or Interest Rate Exchange Agreement, or provisions to put into effect such an arrangement, may be included in any Supplemental Indenture or in a separate agreement between or among the Issuer, the Credit Facility or Interest Rate Exchange Agreement provider and/or the Trustee, and the Trustee is thereby directed to agree to the provisions regarding such Credit Facility or Interest Rate Exchange Agreement contained in any Supplemental Indenture or separate agreement agreed to by the Issuer and the Credit Facility or Interest Rate Exchange Agreement provider.

Tax Covenant

Neither the Issuer nor RIDOT shall take any action or omit to take any action with respect to the Bonds, the proceeds of the Bonds, the Trust Estate, the Construction Projects or any other funds or property of the Issuer or RIDOT and, to the extent within its reasonable control, it will not permit any other Person to take any action or omit to take any action with respect to the Bonds, the Trust Estate, the Construction Projects or any other funds or property of the Issuer or RIDOT if such action or omission would cause interest on any of the Bonds to be included in gross income for federal income tax purposes or to be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations (except, with respect to corporations, as such interest is required to be taken into account in determining “adjusted net book earnings” for the purpose of computing the alternative minimum tax imposed on such corporations). In furtherance of this covenant, each of the Issuer and RIDOT agree to comply with the procedures set forth in the Tax Certificates for each Series of Bonds. The covenants set forth in this heading shall remain in full force and effect notwithstanding the payment in full or defeasance of the Bonds until the date on which all of Issuer or RIDOT obligations in fulfilling such covenants have been met. The covenants set forth in this heading shall not, however, apply to any Series of Bonds if, at the time of issuance, the Issuer intends the interest on such Series of Bonds to be subject to federal income tax or to the federal alternative minimum tax.

Defense of Trust Estate

The Issuer and RIDOT shall at all times, to the extent permitted by law, defend, preserve and protect title to the Trust Estate, the grant of the Trust Estate to the Trustee under the Master Indenture and all the rights of the Owners under the Master Indenture against all claims and demands of all Persons whomsoever.

Agreement of the State

In accordance with Section 42-64-22 of the Issuer Act, the Issuer does include the pledge and agreement of the State with the Owners of the Bonds that the State will not limit or alter the rights vested in the Issuer by the Issuer Act to fulfill the terms of any agreement made with such Owners until such agreements and Bonds with such Owners, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses for which the Issuer is liable in connection with any action or proceeding by or on behalf of such Owners, are fully met and discharged.

Events of Default (Section 7.01)

Any of the following shall constitute an “Event of Default” under the Master Indenture:

(a) Default in the payment of any portion of the Bond Payments on, or Redemption Price of, any Bond when due.

(b) Failure by the Issuer or RIDOT to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Indenture, other than as referred to in paragraph (a), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the Issuer or RIDOT by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the owners of Bonds but cannot be cured within the applicable 60-day period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Issuer or RIDOT within the applicable period and diligently pursued until the failure is corrected; and provided, further, that if by reason of force majeure the Issuer or RIDOT is unable to carry out the agreements on its part therein contained, the Issuer or RIDOT shall not be deemed in default under this paragraph (b) during the continuance of such inability (but force majeure shall not excuse any other Event of Default).

Remedies (Section 7.02 through 7.10)

(a) Upon the occurrence of any Event of Default described in the Master Indenture, (i) the Trustee shall, if and to the extent directed by either the Director of RIDOT or the Director of Administration, transfer all or any moneys held in the Construction Fund to the Bond Payment Fund and (ii) any Owner of a Bond on which payment has not been paid when due shall have the right to institute any action permitted under State law to enforce such payment as provided in the Master Indenture, as supplemented.

(b) Upon the occurrence of any Event of Default, the Trustee may by mandamus or other action or proceeding or suit at law or in equity to enforce any rights under the Master Indenture against the Issuer or RIDOT and compel the Issuer or RIDOT or any other party to the Payment Agreement to perform or carry out its duties under the law and the agreements and covenants required to be performed by it contained therein and in the Payment Agreement.

(c) Upon the occurrence of any Event of Default, the Trustee may take whatever action at law or in equity as may appear necessary or desirable to enforce the rights of the Owners and shall deposit any moneys received as a result of such action in the Bond Payment Fund.

(d) No right or remedy is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or by

statute; provided, however, that neither the Trustee nor any Owners of Bonds shall have the right to declare all Bond Payments to be immediately due and payable.

(e) A judgment requiring a payment of money entered against the Issuer or RIDOT in connection with the Bonds and other obligations may be satisfied only from the Trust Estate.

Use of Moneys Received from Exercise of Remedies

Moneys received by the Trustee resulting from the exercise of remedies following an Event of Default shall be deposited in the Bond Payment Fund and shall, together with other moneys in the Bond Payment Fund and other moneys available for such purpose, be applied in the following order of priority:

(a) *First*, to the payment of the reasonable and proper fees and expenses of the Trustee determined in accordance with the Master Indenture.

(b) *Second*, to the payment of interest due on the Bonds, including interest on past due interest on any Bond at the interest rate borne by such Bond, compounded on each Interest Payment Date. If more than one installment of interest is due on the Bonds, such installments shall be paid in the order in which they were due, with the first installment being paid first. If the amount available is insufficient to pay all of any particular installment of interest due on the Bonds (including interest on the past due interest), the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds. For purposes under this heading, the difference between the Original Principal Amount and the Accreted Value of a Capital Appreciation Bond shall be treated as interest, the Accretion Date for a Capital Appreciation Bond shall be treated as an Interest Payment Date and the interest rate determined by straight-line interpolation between Accretion Dates shall be treated as the interest rate on a Capital Appreciation Bond.

(c) *Third*, to the payment of principal due on the Bonds. If principal is due that was to have been paid on more than one date, the amount due on the earliest dates shall be paid first. If the amount available is insufficient to pay all the principal due on any particular date, the amount available shall be paid ratably, based on the ratio of the amount due on each such Bond to the amount due on all such Bonds. For purposes under this heading, the Original Principal Amount of a Capital Appreciation Bond shall be treated as principal.

Owners of Majority in Aggregate Principal Amount of Bonds May Control Proceedings

Notwithstanding any other provision thereof, the Owners of a majority of in aggregate principal amount of Bonds shall always have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in pursuit of remedies following an Event of Default or otherwise in connection with the enforcement of the terms of the Master Indenture.

Limitations on Rights of Owners Acting Individually

No Owner shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any remedy under the Master Indenture or for the enforcement of the terms of the Master Indenture, unless an Event of Default under the Master Indenture has occurred and the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding have made a written request to the Trustee, and have given the Trustee a reasonable opportunity, to take such action in its capacity as Trustee. The purpose of the preceding sentence is to assure that no Owner or Owners shall have the right to affect, disturb or prejudice the lien of the Master Indenture by his, her, its or their action or to enforce any right under the Master Indenture except in the manner herein provided and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the equal benefit of the Owners of all Outstanding Bonds. Nothing contained herein shall, however, affect or impair the right of any Owner to enforce the payment of the Bond Payments on or Redemption Price of any Bond at and after the date such payment is due.

Trustee May Enforce Rights Without Bonds

All rights of action and claims under the Master Indenture or any of the Outstanding Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto; any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants, any Owners; and any recovery of judgment shall be for the ratable benefit of the Owners, subject to the provisions thereof.

Delay or Omission No Waiver

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

Discontinuance of Proceedings on Event of Default; Position of Parties Restored

In case the Trustee or any Owner shall have proceeded to enforce any right under the Master Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or such Owner, then and in every such case the Issuer, the Trustee and the Owners shall be restored to their former positions and rights, and all rights, remedies and powers of the Trustee and the Owner shall continue as if no such proceedings had been taken.

Waivers of Events of Default

The Trustee may in its discretion waive any Event of Default and its consequences and, notwithstanding anything else to the contrary contained in the Master Indenture, shall do so upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; provided, however, that there shall not be waived without the consent of the Owners of 100% of the Bonds any Event of Default in the payment of the Bond Payments and Redemption Price when due, unless, prior to such waiver, all such amounts (with interest on amounts past due on any Bond at the interest rate on such Bond or, in the case of a Capital Appreciation Bond, the interest rate determined by straight-line interpolation between Accretion Dates) and all expenses of the Trustee in connection with such Event of Default have been paid or provided for. In case of any such waiver, then and in every such case the Issuer, the Trustee and the Owners shall be restored to their former positions and rights under the Master Indenture, but no such waiver shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Duties of the Trustee (Section 8.02)

The Trustee accepts the trusts imposed upon it by the Master Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Master Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by the Master Indenture, and use the same degree of care and skill in their exercise as a reasonable and prudent man would exercise or use under the circumstances in the conduct of the affairs of another.

(b) The Trustee may execute any of the trusts or powers thereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to rely and act upon a written opinion of Bond Counsel concerning all matters of trust thereof and the duties under the Master Indenture, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts thereof.

(c) The Trustee shall not be responsible for any recital in the Master Indenture or in the Bonds, for the validity of the execution by the Issuer of the Master Indenture, any Supplemental Indenture or any instruments of further assurance, for the sufficiency of the security for the Bonds issued under the Master Indenture or intended to be secured by the Master Indenture, or for the value of the Trust Estate. The Trustee shall have no obligation to perform any of the duties of the Issuer or RIDOT under the Master Indenture; and the Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it pursuant to instructions from an Authorized Issuer Representative in accordance with the Master Indenture.

(d) The Trustee shall not be accountable for the use of any Bonds delivered to the Original Purchaser pursuant to the Master Indenture or any Supplemental Indenture. The Trustee may become the Owner of Bonds with the same rights which it would have if not Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Master Indenture upon the request or authority or consent of any Person who at the time of making such request or giving such authority or consent is the Owner of any Bond shall be conclusive and binding upon any Bonds issued in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a certificate signed on behalf of the Issuer by an Authorized Issuer Representative or such other person as may be designated for such purpose by the Issuer, as sufficient evidence of the facts therein contained.

(g) The permissive right of the Trustee to do things enumerated in the Master Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct, including without limitation a breach of fiduciary duty.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default under the Master Indenture except failure to pay Bond Payments or failure by the Issuer to make or cause to be made any of the payments to the Trustee required to be made pursuant to the Master Indenture, unless the Trustee shall be specifically notified in writing of such Event of Default by the Issuer or by the Owner of a Bond.

(i) All moneys received by the Trustee shall, until used or applied or invested as provided in the Master Indenture, be held in trust in the manner and for the purposes for which they were received and shall be segregated from all other funds held by the Trustee.

Resignation, Removal or Replacement of Trustee (Section 8.04)

(a) The present or any future Trustee may resign by giving written notice to the Issuer not less than 60 days before such resignation is to take effect. Such resignation shall take effect only upon the appointment of a successor qualified as provided in subsection (c) under this heading. If no successor is appointed within 60 days following the date designated in the notice for the Trustee's resignation to take effect, the resigning Trustee may petition a court of competent jurisdiction for the appointment of a successor. The present or any future Trustee may be removed at any time (i) by the Issuer, provided that the Trustee may not be removed during the pendency of an Event of Default without the written consent of the Owners of a majority in aggregate principal amount of the

Bonds then Outstanding; or (ii) by an instrument in writing executed by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, for any reason or for no reason.

(b) In case the present or any future Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the Issuer. Upon making any such appointment, the Issuer shall forthwith give notice thereof to each Owner, which notice may be given concurrently with the notice of resignation given by any resigning Trustee and shall include a description of the right of the Owners to object to the appointment. Any successor Trustee appointed by the Issuer pursuant to this subsection shall be removed by the Issuer if the Owners of a majority in aggregate principal amount of the Bonds then Outstanding object to the appointment by an instrument or concurrent instruments signed by such Owners, or their duly appointed attorneys-in-fact, delivered to the Issuer within 60 days following the date of the Issuer's notice of the appointment of such successor. If the Owners of a majority in aggregate principal amount of the Bonds then Outstanding object to the appointment of a successor Trustee pursuant to this subsection, the Issuer shall appoint another successor Trustee and the Owners shall have the same right to object to the new successor Trustee.

(c) Every successor Trustee shall be a bank or trust company in good standing, duly authorized to exercise trust powers and subject to examination by federal or state authority, qualified to act under the Master Indenture, having a capital and surplus of not less than \$50,000,000.

Conversion, Consolidation or Merger of Trustee (Section 8.05)

Any bank or trust company into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business as a whole shall be the successor of the Trustee under the Master Indenture with the same rights, powers, duties and obligations and subject to the same restrictions, limitations and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties thereto, anything therein to the contrary notwithstanding. In case any of the Bonds shall have been executed, but not delivered, any successor Trustee may adopt the signature of any predecessor Trustee, and deliver the same as executed; and, in case any of such Bonds shall not have been executed, any successor Trustee may execute such Bonds in the name of such successor Trustee.

Intervention by Trustee (Section 8.06)

In any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners, the Trustee may intervene on behalf of the Owners and shall do so if requested in writing by the Owners of at least 10% in aggregate principal amount of the Bonds.

Supplemental Indentures Not Requiring Consent of Owners (Section 9.01)

The Issuer and the Trustee may, without the consent of, or notice to, the Owners, but with the acknowledgement and agreement of RIDOT, as applicable, with respect to (a) or (j) below, enter into a Supplemental Indenture to amend any provision of the Master Indenture or any Supplemental Indenture for any one or more or all of the following purposes:

- (a) to add additional covenants to the covenants and agreements of the Issuer or RIDOT set forth in the Master Indenture or to add to the limitations and restrictions in the Master Indenture, other limitations and restriction to be observed by the Issuer or RIDOT which are not contrary to or inconsistent with the Master Indenture as theretofore in effect;
- (b) to add additional revenues, properties or collateral to the Trust Estate;
- (c) to cure any ambiguity, or to cure, correct or supplement any defect or omission or inconsistent provision contained in the Master Indenture;
- (d) to amend any existing provision thereof or to add additional provisions which, in the opinion of Bond Counsel, are necessary or advisable (i) to qualify, or to preserve the qualification of, the interest on any Bonds for exclusion from gross income for federal income tax purposes or for exclusion from federal alternative minimum tax; (ii) to qualify any Bonds for exemption from taxation and assessment in the State; (iii) to qualify, or to preserve the qualification of, the Master Indenture or any Supplemental Indenture under the federal Trust Indenture Act of 1939; or (iv) to qualify, or preserve the qualification of, any Bonds for an exemption from registration or other limitations under the laws of any state or territory of the United States;
- (e) to amend any provision thereof relating to the Rebate Fund if, in the opinion of Bond Counsel, such amendment does not adversely affect the exclusion of interest on any Bonds from gross income for federal income tax purposes;
- (f) to provide for or eliminate book-entry registration of any of the Bonds;
- (g) to obtain or maintain a rating of the Bonds by a nationally recognized securities rating agency;
- (h) to authorize the issuance of any Series of Bonds in accordance with the Master Indenture;
- (i) to facilitate the provision of a Credit Facility or an Interest Rate Exchange Agreement in accordance with the Master Indenture;
- (j) to facilitate the receipt or use of Federal Transportation Funds to pay Bond Payments;

(k) to establish additional funds, accounts or subaccounts necessary or useful in connection with any Supplemental Indenture authorized by any other provision under this heading;

(l) to make any amendment with Rating Confirmation from each Rating Agency then maintaining an unsecured, underlying rating on the Bonds, that such amendment will not, in itself, result in such unsecured, underlying rating on the Bonds following such amendment being lower than such rating on the Bonds immediately prior to such amendment;

(m) to modify any of the provisions in any other respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof; or

(n) for any other purpose, provided that Bond Counsel has delivered a written opinion stating that the provisions of the Supplemental Indenture do not materially adversely affect the rights of the Owners of any Bonds.

Supplemental Indentures Requiring Consent of Owners (Section 9.02)

Except as expressly provided in the Master Indenture, the Issuer and the Trustee may not enter into a Supplemental Indenture without the written consent of the Owners of not less than a majority in aggregate principal amount of Bonds then Outstanding; provided, however, that no Supplemental Indenture described below may be entered into without the written consent of the Owner of each Bond affected thereby:

(a) a reduction of the interest rate, Bond Payments or Redemption Price payable on any Bond, a change in the maturity date of any Bond, a change in the Original Principal Amount of any Capital Appreciation Bond, a change in any Interest Payment Date for any Current Interest Bond or any Accretion Date for any Capital Appreciation Bond or a change in the redemption provisions applicable to any Bond;

(b) the deprivation of an Owner to the lien on the Trust Estate granted in the Master Indenture;

(c) the creation of a priority right in the Trust Estate of another Bond over the right of the affected Bond, except as permitted in the Master Indenture; or

(d) a reduction in the percentage of the aggregate principal amount of the Bonds required for consent to any Supplemental Indenture.

Conditions to Effectiveness of Supplemental Indentures (Section 9.03)

(a) No Supplemental Indenture shall be effective until (i) it has been executed by an Authorized Issuer Representative, and an authorized representative of the Trustee and (ii) Bond Counsel has delivered a written opinion to the effect that the Supplemental Indenture complies with the provisions of the Master Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Outstanding Bonds.

(b) No Supplemental Indenture entered into pursuant to the Master Indenture shall be effective until, in addition to the conditions set forth in subsection (a) under this heading, (i) a notice has been mailed to the Owners of the Outstanding Bonds, at the addresses last shown on the registration records of the Trustee, which notice describes the nature of the proposed Supplemental Indenture and states that copies of it are on file at the office of the Trustee for inspection by the Owners of Outstanding Bonds and (ii) Owners of the required percentage in aggregate principal amount of the Bonds have consented to the Supplemental Indenture. *Notwithstanding anything in this heading or the Master Indenture to the contrary, the consent of the Owners of any Series of additional Bonds to be issued shall be deemed irrevocably given if the Original Purchaser thereof, whether or not for resale, consents in writing to any modification or amendment and, if such Series of additional Bonds is expected to be resold, such modification or amendment, as well as such consent, is disclosed in the official statement or other offering document pursuant to which such Series of additional Bonds is sold.*

Defeasance (Section 10.01 through 10.03)

If 100% of the Bond Payments and Redemption Price due, or to become due, on all the Bonds and all amounts payable to the United States pursuant to the Master Indenture, have been paid, or provision shall have been made for the payment thereof in accordance with the Master Indenture and the fees and expenses due to the Trustee and all other amounts payable have been paid or provision for such payment shall have been made in a manner satisfactory to the Trustee, then (a) the right, title and interest of the Trustee in and to the Trust Estate shall terminate and be discharged (referred to in the Master Indenture as the “discharge” of the Master Indenture); (b) the Trustee shall transfer and convey to or upon the order of the Issuer all property that was part of the Trust Estate, including but not limited to any moneys held in any fund or account under the Master Indenture, except any escrow account created pursuant to the Master Indenture (which escrow account shall continue to be held in accordance with the agreement governing the administration thereof); and (c) the Trustee shall execute any instrument requested by the Issuer to evidence such discharge, transfer and conveyance.

Outstanding Bonds or Bond Payments or Redemption Price or any portions thereof for the payment or redemption of which money shall have been set aside and shall be held in trust by the Trustee shall at the respective maturity or redemption dates thereof be deemed to have been paid within the meaning and with the effect expressed in the first paragraph under this heading.

All or any portion of the Outstanding Bonds or Bond Payments shall be deemed to have been paid (referred to in the Master Indenture as “defeased”) prior to their maturity or redemption if:

(i) if the defeased Bonds are to be redeemed prior to their maturity, an Authorized Issuer Representative has irrevocably instructed the Trustee to give notice of redemption of such Bonds in accordance with the Master Indenture and any applicable Supplemental Indenture;

(ii) there has been deposited in trust in a Defeasance Escrow Account either moneys in an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited into or held in the Defeasance Escrow Account, shall be sufficient to pay when due the Bond Payments or Redemption Price, as applicable, due and to become due on the defeased Bonds on and prior to the redemption date or maturity date thereof, as the case may be; and

(iii) a certified public accountant or other nationally recognized expert respecting verification of escrows has delivered a verification report verifying the deposit described in clause (ii) of this subsection.

The Defeasance Securities and moneys deposited in a Defeasance Escrow Account pursuant to this Section and the principal and interest payments on such Defeasance Securities shall not be withdrawn or used for any purpose other than, and shall be held in trust solely for, the payment of the Bond Payments on and Redemption Price of the defeased Bonds; provided, however, that (i) any moneys received from principal and interest payments on such Defeasance Securities that are not required to pay the Bond Payments on or Redemption Price of the defeased Bonds on the date of receipt may, to the extent practicable, be reinvested in Defeasance Securities maturing at the times and in amounts sufficient to pay when due the Bond Payments on and Redemption Price to become due on the defeased Bonds on or prior to the redemption date or maturity date thereof, as the case may be; and (ii) any moneys or Defeasance Securities may be withdrawn from a Defeasance Escrow Account if (A) the moneys and Defeasance Securities that are on deposit in the Defeasance Escrow Account, including any moneys or Defeasance Securities that are substituted for the moneys or Defeasance Securities that are withdrawn from the Defeasance Escrow Account, satisfy the conditions stated in subsection (a)(ii) of this Section, (B) a verification report is delivered that complies with subsection (a)(iii) of this Section and (C) an opinion of Bond Counsel is delivered to the effect that such withdrawal or substitution complies with this Section and will not of itself adversely affect the federal tax status of interest on either the related Refunding Bonds or the Bonds being refunded.

Any Bonds that are defeased as provided in this Section shall no longer be secured by or entitled to any right, title or interest in or to the Trust Estate, and the Bond Payments on and Redemption Price thereof shall be paid solely from the Defeasance Securities and money held in the Defeasance Escrow Account.

If less than all the Bonds of any particular Series, any particular maturity of any Series or any particular interest rate within a maturity of a Series are defeased, the Trustee shall institute or cause to be instituted a system to preserve the identity of the individual Bonds or portions thereof that are defeased, regardless of changes in Bond numbers attributable to transfers and exchanges of Bonds.

Provisions Relating to the Insured Series 2003A Bonds (Series 2003A Supplemental Indenture)

In connection with obtaining the municipal bond insurance policy by Financial Security Assurance Inc. (the “Insurer”) in connection with the Series 2003A Bonds, the Series 2003A Supplemental Indenture provides, among other things:

(a) The Insurer shall be deemed to be the sole holder of the Insured 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 Insured Bonds are entitled to take pursuant to the Master Indenture pertaining to amendments, supplemental indentures, defaults and remedies and the duties and obligations of the Trustee, if any, for so long as the Insurer is not in default in any payment obligations under the Insurance Policy.

(b) In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Master Indenture would adversely affect the security for the Insured Bonds or the rights of the Owners of such Insured Bonds, neither the Trustee nor Bond Counsel shall consider the effect of any such amendment, consent, action or inaction as if there were no Insurance Policy.

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APPENDIX C
PROPOSED FORM OF PAYMENT AGREEMENT
Relating to Grant Anticipation Bonds

This Payment Agreement is entered into as of November 1, 2003 by and among the Governor of the State of Rhode Island (the “**Governor**”), the General Treasurer of the State of Rhode Island (the “**Treasurer**”), the Rhode Island Economic Development Corporation (the “**EDC**”), the Rhode Island Department of Transportation (“**DOT**”) and the Rhode Island Department of Administration (the “**DOA**”).

WHEREAS, the EDC was created and exists as a public corporation, governmental agency and public instrumentality of the State of Rhode Island and Providence Plantations (the “**State**”) under the Rhode Island Economic Development Corporation Act, Chapter 64 of Title 42 of the Rhode Island General Laws (“**RIGL**”), as amended (the “**Act**”); and

WHEREAS, Sections 8, 9 and 10 of Article 36 of Chapter 376 of the 2003 Public Laws of the State (the “**Program Act**”), among other things, (i) authorize the financing of certain highway, rail and bridge improvement projects as defined in the Program Act designated as the Route 195 relocation, Washington Bridge, Sakonnet River Bridge, Freight Rail Infrastructure Project and 403 Project (the “**Projects**”), (ii) amend the Act by the addition of new Section 42-67-7(25) in order to authorize the EDC to issue bonds or notes to finance the Projects and to enter into such agreements, to deliver such instruments and to take such other actions as the EDC shall deem necessary or desirable to effectuate the financing of the Projects and (iii) authorize the Governor, the Director of the DOT, the Director of the DOA and the Executive Director of the EDC, acting singly, to enter into such agreements, documents or instruments as each such official shall deem necessary to carry out the provisions of the Program Act; and

WHEREAS, the bonds or notes to be issued by the EDC are expected to include one or more series of grant anticipation bonds or notes payable primarily from Federal Transportation Funds (the “**Bonds**”); and

WHEREAS, pursuant to the provisions of the Program Act and subject to annual appropriation by the State General Assembly, all or a portion of the Federal Transportation Funds will be applied each year toward payment of Bond Payments for so long as any Bonds remain Outstanding; and

WHEREAS, the DOT has entered into a Federal Highway Administration Aid Agreement with the FHWA, whereby the FHWA has agreed to pay to the State the Federal Transportation Funds; and

WHEREAS, Federal Transportation Funds as received by the State are credited to the Intermodal Surface Transportation Fund (the “**ISTF**”) pursuant to RIGL §35-4-11, and are subject to annual appropriation by the State General Assembly; and

WHEREAS, in order to facilitate payment of the Federal Transportation Funds held in the ISTF to the Trustee while any of the Bonds remain Outstanding, the EDC seeks to enter into this Payment Agreement with the Governor, the Treasurer, the DOT and the DOA.

NOW, THEREFORE, in consideration of the foregoing, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms contained herein shall have the meanings as ascribed to them in the Master Trust Indenture (as defined below) provided that the following terms shall have the following meanings:

“*DOT Request*” means the annual request by the DOT to be submitted to the State Budget Director for the gross appropriation of the Federal Transportation Funds anticipated to be received by the State in each State Fiscal Year.

“*DOT Voucher*” shall have the meaning as ascribed to it in Section 5.

“*Federal Fiscal Year*” means the fiscal year for the government of the United States of America consisting of a 12 month period ending on September 30 in each year, as the same may be lawfully modified from time to time.

“*Master Trust Indenture*” means that certain Master Trust Indenture authorizing the issuance of the Bonds dated as of November 1, 2003 between the EDC and the Trustee, as amended and supplemented from time to time.

“*State Controller*” means the Controller for the State.

“*State Fiscal Year*” means the fiscal year of the State consisting of a 12 month period ending on the last day of June in each year, as the same may be lawfully modified from time to time.

Section 2. Request for Payment and Recommendation to General Assembly. Beginning with the budget submission process for State Fiscal Year 2005, and for each State Fiscal Year thereafter in which any of the Bonds remain Outstanding, pursuant to RIGL §35-4-22.1, the DOT, in a timely fashion, shall submit the DOT Request for such State Fiscal Year to the State Budget Officer for recommendation to the Governor for inclusion in the Governor’s proposed budget for such State Fiscal Year.

Section 3. Appropriation in State Budget. The Governor hereby covenants and agrees to include the DOT Request in the Governor’s proposed budget of revenues and appropriations submitted to the State General Assembly for the State Fiscal Year 2005, and for each State Fiscal Year thereafter during which any Bonds remain Outstanding.

Attached hereto as Exhibit A is substantially the form of the provision to be included in each annual budget of revenues and appropriations submitted by the Governor.

Section 4. Authorization of Bond Payments. Commencing in State Fiscal Year 2005, and for every State Fiscal Year in which any of the Bonds remain Outstanding, upon enactment into law of a State budget including the DOT Request, the DOT shall file with the FHWA, as soon as reasonably practicable after the beginning of the Federal Fiscal Year which commences during such State Fiscal Year, the proper authorization seeking obligation authority for payment by the FHWA of Federal Transportation Funds in an amount equal to the Bond Payments for such State Fiscal Year. No other obligation of Federal Transportation Funds for such State Fiscal Year shall be requested by the DOT until such aforementioned obligation authority of Federal Transportation Funds has been authorized.

Section 5. Disbursements by State Controller. Beginning in the State Fiscal Year 2005, and in each subsequent State Fiscal Year in which any of the Bonds are Outstanding, upon enactment into law of a State budget including a DOT Request and upon each receipt of the Federal Transportation Funds during any State Fiscal Year obligated pursuant to Section 4 hereof, the DOT shall submit a voucher to the State Controller requesting the payment of an amount equal to the Bond Payment due on the next Bond Payment Date (the “**DOT Voucher**”). Upon receipt of the DOT Voucher from the DOT, the State Controller shall forthwith issue directions in the proper form and duly authenticated to the Treasurer directing the Treasurer to transfer from the ISTF, in immediately available funds, to the Trustee for deposit in the Bond Payment Fund, the amount of Federal Transportation Funds set forth in the DOT Voucher. Upon receipt of the DOT Voucher from the State Controller duly authenticated, the Treasurer shall, in accordance with the laws of the State, within three (3) business days transfer the amount of Federal Transportation Funds set forth in the voucher to the Trustee. The State Controller agrees, and upon direction from the State Controller, the Treasurer hereby agrees, that any such DOT Voucher received shall have priority over any other voucher with respect to the Federal Transportation Funds then on deposit in the ISTF.

Section 6. Requisitions & Other Obligations. The DOT shall submit requisitions for payment to contractors or reimbursement of expenses with respect to the Projects consistent with State law and financial procedures established by the State Controller and in the manner and in the form required by the Master Trust Indenture; provided that no such requisition shall be submitted if the effect thereof when

taken together with all prior requisitions would result in payments with respect to any Project exceeding the limitations contained in the Program Act with respect to total bonds issued or permitted total debt service with respect to any Project. The DOT shall provide to the EDC and the Trustee prior to the issuance of any series of Bonds, a certificate establishing the amount of bond proceeds of such series, after giving effect to payments already made with respect to any Project, and amounts remaining available under any prior series of Bonds, which may be used for each Project without exceeding the maximum total debt service or the total Bonds issued with respect to each such Project as permitted by the Program Act. In determining total debt service with respect to any Project, the EDC based upon information provided by the DOT shall allocate all costs of issuance and, except as otherwise provided in any Supplemental Indenture, each Bond Payment in the ratio that the total prior or anticipated payments with respect to any Project out of the proceeds of any one or more series of Bonds bears to all prior or anticipated payments with respect to all Projects from all such series. The DOT agrees to comply with and abide by all obligations imposed by the Master Trust Indenture.

Section 7. Term. This Payment Agreement shall remain in full force and effect until such time as no Bonds remain Outstanding pursuant to the Master Trust Indenture.

Section 8. Trustee as Third-Party Beneficiary. The Trustee is hereby designated an intended third-party beneficiary of this Payment Agreement with a recognized and enforceable right to performance of its provisions.

Section 9. Failure of Parties to Perform. If any of the undersigned parties fail to perform or abide by their obligations established herein or in the Master Trust Indenture, the EDC or the Trustee may petition a court of competent jurisdiction to issue a mandamus order to such party failing to perform to compel specific performance thereof, or take such other actions as they deem reasonable and necessary to enforce their rights hereunder.

Section 10. Miscellaneous.

10.1. Execution in Counterparts. This Payment Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which, taken together, shall constitute but one and the same instrument.

10.2. Governing Law. This Payment Agreement shall be governed by the laws of the State.

10.3. Amendments; Supplements; Termination; Non-Impairment. This Payment Agreement may not be amended, supplemented or terminated without the prior written consent of the parties hereto; provided, however, that, for so long as any Bonds remain Outstanding, this Payment Agreement shall not be amended other than in accordance with the provisions of Section 6.03(c) of the Master Trust Indenture.

10.4. Section Headings. Section headings contained herein are included for convenience of reference only and shall not constitute a part of this Payment Agreement for any other purpose.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Payment Agreement by their duly authorized officers as of the date first written above.

GOVERNOR OF THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

By: _____
Name:

GENERAL TREASURER OF THE STATE OF RHODE ISLAND

Name:

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

By: _____
Name:
Title: Director

RHODE ISLAND DEPARTMENT OF TRANSPORTATION

By: _____
Name:
Title: Director

RHODE ISLAND DEPARTMENT OF ADMINISTRATION

By: _____
Name:
Title: Director

APPENDIX D

BOOK-ENTRY-ONLY SYSTEM

This information concerning DTC and DTC's book-entry system has been obtained from DTC and the Issuer takes no responsibility for the accuracy thereof. The Owners should confirm this information with DTC or the DTC participants.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2003A Bonds (the "Bonds"). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, totaling in the aggregate the principal amount of the Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfer and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners 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 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

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

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

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

THE ISSUER AND DEPARTMENT WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE TRUST INDENTURE; (3) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee for DTC, references in this Official Statement to "Owner" or registered owners of the Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds.

When reference is made in this Official Statement to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Issuer or the Paying Agent to DTC only.

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING ("Undertaking"), dated as of November 1, 2003, is executed and delivered by the STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS (the "State"), in connection with the issuance by the Issuer of its \$216,805,000 Rhode Island Economic Development Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2003A, dated as of November 25, 2003 (the "Bonds").

The State covenants and agrees as follows:

Section 1. Purpose of this Undertaking. This Undertaking is executed and delivered by the State, as of the date set forth below, in accordance with the Rule (defined below) for the benefit of the beneficial owners of the Bonds.

Section 2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"Annual Information" means, for the most recent Federal Fiscal Year, the type of financial information set forth under the heading "Federal Aid Revenues" in the final Official Statement, dated November 14, 2003, for the Bonds.

"Audited Financial Statements" means the audited financial statements of the State, prepared in conformity with generally accepted accounting principles, with certain exceptions permitted by Rhode Island law.

"Federal Fiscal Year" means the 12-month period beginning on October 1 of each year or such other 12 month period as the federal government shall adopt as its fiscal year.

"Filing Date" means the first day of the eighth month following the end of each Fiscal Year (or the next succeeding business day if that day is not a business day), beginning February 1, 2004.

"Fiscal Year" means the 12-month period beginning on July 1 of each year or such other 12-month period as the State shall adopt as its fiscal year.

"Issuer" means the Rhode Island Economic Development Corporation.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIRs" means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal
Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
e-mail: Munis@Bloomberg.com

Standard & Poor's J.J. Kenny
Repository 55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
e-mail: nrmsir_repository@sandp.com

FT Interactive Data
Attn: Repository
100 Williams Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390
e-mail: NRMSIR@FTID.com

DPC Data, Inc.
One Executive Drive
Fort Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
e-mail: NRMSIR@dpccdata.com

"Rule" means Rule 15c2-12, as adopted by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"SID" means any public or private repository designated by the State as the state repository and recognized as such by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Agreement, no SID exists within the State.

"Specified Event" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit I hereto.

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

Section 3. Filing of Annual Information and Audited Financial Statements. The State is the only Obligated Person (as defined in the Rule) for the Bonds. The State hereby agrees to provide or cause to be provided to each NRMSIR and to any SID:

- (a) Annual Information for the preceding Federal Fiscal Year, not later than the Filing Date for each Fiscal Year; and
- (b) Audited Financial Statements for the preceding Fiscal Year promptly after their public release.

The State reserves the right to modify from time to time the specific types of information provided under clauses (a) and (b) above or the format of the presentation of such information, provided that any such modification will be done in a manner consistent with the Rule. The State is required to deliver, or cause to be delivered, such information in such manner and by such time so that such entities receive the information on or before the date specified.

Section 4. Notice of Material Specified Events and Failure to Provide Annual Information. The State agrees to provide or cause to be provided to each NRMSIR or to the MSRB and to any SID, in a timely manner:

- (a) notice of the occurrence of any Specified Event with respect to the Bonds, if that Specified Event is material; and

(b) notice of its failure to provide or cause to be provided the Annual Information on or prior to the applicable Filing Date.

If the responsible officials of the State become aware of the occurrence of a Specified Event, the State shall diligently proceed to determine whether that Specified Event is material and, if so, the State shall prepare and provide or cause to be provided notice of the occurrence of that material Specified Event in accordance with this Section.

Section 5. Additional Information. Nothing in this Undertaking shall be deemed to prevent the State from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information or providing notice of the occurrence of an event, in addition to that which is required by this Undertaking. If the State chooses to include any information from any document or notice of occurrence of an event in addition to that which is specifically required by this Undertaking, the State shall have no obligation under this Undertaking to update such information or include it in any future Annual Information or notice of material Specified Events.

Section 6. Failure to Perform. The State agrees that its agreements set forth in Sections 3 and 4 of this Undertaking are intended to be for the benefit of the beneficial owners from time to time of the Bonds. Any beneficial owner of a Bond may enforce the State's obligation to provide or cause to be provided a filing that is due in accordance with Section 3 or 4 hereof by commencing an action in a court of competent jurisdiction in Providence, Rhode Island to seek specific performance by court order to compel the State to make such filings; provided that any beneficial owner seeking to require the State to comply with this Undertaking shall first provide at least 30 days' prior written notice to (i) the State's Director of the Department of Transportation, Two Capital Hill, Providence, Rhode Island 02908 and (ii) the State's Budget Officer, State Administration Building, One Capitol Hill, Providence, Rhode Island 02908 of the State's failure, giving reasonable detail of such failure, following which notice the State shall have 30 days to comply. The right of a beneficial owner to enforce any provision of this Undertaking shall be limited solely to a right to obtain specific enforcement of the State's obligations hereunder and provided further that any failure of the State to comply with any provisions of this Undertaking shall not be a default or an Event of Default with respect to the Bonds under the Trust Indenture (as defined in the Bonds) or give rise to any pecuniary liability of the State.

Section 7. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the State may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by a legal opinion, addressed to the State, of an independent counsel who is expert in federal securities laws selected by the State's Budget Officer and Director of the Department of Transportation, to the effect that such amendment or waiver would not, in and of itself, cause this Undertaking to violate the Rule. The Annual Information prepared immediately following any amendment or waiver shall explain the reason for the amendment or waiver and the impact of the change in the type of information being provided.

Section 8. Termination of Undertaking. This Undertaking shall terminate when (a) the Bonds are no longer outstanding (within the meaning of the Trust Indenture) or (b) the Rule no longer applies to these Bonds.

Section 9. Dissemination Agent. The State may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 10. Beneficiaries. This Undertaking shall inure solely to the benefit of the State and the beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Section 11. Recordkeeping. The State shall maintain records of all Annual Information and notice of material Specified Events including the content of such disclosure, the names of the entities with whom such disclosures were filed and the date of filing such disclosure.

Section 12. Governing Law. This Undertaking shall be governed by the laws of the State.

STATE OF RHODE ISLAND AND PROVIDENCE
PLANTATIONS

By _____
Its _____

EXHIBIT I
SPECIFIED EVENTS

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;*
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities; and
11. Rating changes to the Bonds by any nationally recognized credit agency which has rated the Bonds at the request of the State or the Issuer of the Bonds.

* The Issuer has not established, and does not expect to establish, any debt service reserves for the Bonds.

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APPENDIX F
SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER:

BONDS:

Policy No.: -N

Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant Coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent, specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security) to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



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