

NEW ISSUE - Book-Entry Only

RATINGS:	Uninsured Series 2003A Bonds	Insured Series 2003A Bonds
<i>Fitch:</i>	A	AAA
<i>Moody's:</i>	A2	Aaa
<i>Standard & Poor's:</i>	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.

\$53,030,000

**RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION
Rhode Island Motor Fuel Tax Revenue Bonds
(Rhode Island Department of Transportation), Series 2003A**

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

The Rhode Island Motor Fuel Tax Revenue 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, 9 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 (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 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 three 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 Rhode Island Motor Fuel Tax Revenue Bonds that are subsequently issued on a parity therewith (the "Additional Bonds") (collectively, the "Bonds"), are payable from, and secured solely by a pledge of, the Trust Estate (as defined herein), which consists primarily of the Pledged Revenues (as defined herein) that are paid to the Issuer or Trustee in accordance with the Program Act, Title 31, Chapter 36, Section 20 of the State of Rhode Island General Laws, as amended (the "Motor Fuel Tax Act") and the Payment Agreement (as defined herein) and amounts on deposit in the Bond Payment Fund, the Debt Service Reserve Fund and the Residual 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 an amount equal to two cents (\$.02) per gallon of the thirty cents (\$.30) per gallon Motor Fuel Tax (defined herein) imposed under the Motor Fuel Tax Act on a monthly basis 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.

Payment of the principal of and interest on the Series 2003A Bonds maturing on June 15 of only the years 2006 through 2023, inclusive (the "Insured Series 2003A Bonds"), when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Insured Series 2003A Bonds.



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 Hinkley, 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.
Carolan & Co. Division of Oppenheimer & Co. Inc.
Quick & Reilly, Inc.
Merrill Lynch & Co.

Morgan Stanley

UBS Financial Services Inc.
Jackson Securities
Roosevelt & Cross
RBC Dain Rauscher Inc.

\$53,030,000

RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION

**Rhode Island Motor Fuel Tax Revenue 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>June15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number*</u>
2004	\$5,625,000	2.000%	1.200%	762238AA1	2014**	\$2,535,000	3.875%	3.920%	762238AL7
2005	5,150,000	2.000	1.370	762238AB9	2015**	2,635,000	4.000	4.030	762238AM5
2006**	5,150,000	3.000	1.780	762238AC7	2016**	2,535,000	4.125	4.140	762238AN3
2007**	2,350,000	2.100	2.150	762238AD5	2017**	2,085,000	4.200	4.240	762238AP8
2008**	2,405,000	2.500	2.530	762238AE3	2018**	2,165,000	4.250	4.330	762238AQ6
2009**	1,955,000	2.800	2.840	762238AF0	2019**	2,260,000	4.375	4.420	762238AR4
2010**	1,720,000	3.000	3.100	762238AG8	2020**	1,615,000	4.500	4.500	762238AS2
2011**	2,280,000	3.375	3.430	762238AH6	2021**	1,685,000	4.500	4.580	762238AT0
2012**	2,355,000	3.625	3.670	762238AJ2	2022**	1,255,000	4.625	4.660	762238AU7
2013**	2,445,000	3.750	3.800	762238AK9	2023**	2,825,000	4.700	4.740	762238AV5

* 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 Ambac Assurance Corporation. See "BOND INSURANCE."

**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

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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 Motor Fuel Tax receipts 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 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.

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.

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.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE CONSTRUCTION PROJECTS	3
PLAN OF FINANCE.....	9
THE SERIES 2003A BONDS	11
General Description	11
Redemption	11
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.....	12
Nature of Obligations and Authority.....	12
The Payment Agreement.....	13
Agreement by the State	14
Creation of Trust Estate	14
Funds and Accounts.....	14
Debt Service Reserve Fund.....	15
Application of Pledged Revenues; Residual Fund	16
Covenants Concerning the Pledged Revenues	17
Additional Bonds	17
Credit Facilities and Interest Rate Exchange Agreements	18
Defeasance	18
BOND INSURANCE	19
THE RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION	21
General.....	21
Directors and Officers.....	22
Other Indebtedness.....	23
INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS	23
The Federal Aid Agreements	23
STATE MOTOR FUEL TAX	24
General.....	24
Motor Fuel Tax Rate.....	24
Motor Fuel Tax Collection Procedure.....	25
Crediting of Receipts	25
Exemptions, Refunds and Abatements from the Motor Fuel Tax	25
Legislation	25
Historical Information Regarding Motor Fuel Tax	26
Projected Collection of Gasoline Tax and Motor Fuel Tax Pledged Revenues.....	28
DEBT SERVICE REQUIREMENTS FOR THE SERIES 2003A BONDS	29
MANAGEMENT OF STATE HIGHWAY PROGRAM	29
State Planning Council.....	29
Department of Transportation.....	30
State Tax Administrator.....	30
LITIGATION	31
FORWARD-LOOKING STATEMENTS	31
TAX MATTERS	31
CONTINUING DISCLOSURE UNDERTAKING	33
RATINGS.....	34
UNDERWRITING	34
CERTAIN LEGAL MATTERS.....	35
FINANCIAL ADVISOR	35
MISCELLANEOUS	35
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 Financial Guaranty Insurance Policy	

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OFFICIAL STATEMENT

relating to

\$53,030,000

**Rhode Island Economic Development Corporation
Rhode Island Motor Fuel Tax Revenue 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 Motor Fuel Tax Revenue Bonds (Rhode Island Department of Transportation), Series 2003A (the "Series 2003A Bonds") in the aggregate principal amount of \$53,030,000. The Series 2003A Bonds are being issued pursuant to Sections 8, 9 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 constitutes portions of the State highway program administered by the Department. Under the Act, the Issuer is authorized to issue bonds and notes secured by revenues received by the Trustee derived from the two cents (\$.02) per gallon of the thirty cents (\$.30) per gallon Motor Fuel Tax (defined herein) imposed under Title 31, Chapter 36 of the State of Rhode Island General Laws, as amended and supplemented from time to time and any successor or replacement provision of law (the "Motor Fuel Tax Act"). 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 the Federal Highway Administration ("FHWA") relating to the design and construction by the Department of the Route 195 Relocation Project, the Freight Rail Improvement Project, the New Washington Bridge, the New Sakonnet Bridge and the Route 403 Project (each as described herein), and improvements related thereto (collectively, the Route 195 Relocation Project, 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 Washington Bridge and 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 (i.e., the State Matching Funds, as defined in the Trust Indenture) of the Series 2003A Construction Projects (no State Matching Funds are authorized for the New Washington Bridge because federal matching requirements have been satisfied) and the costs of issuing the Series 2003A Bonds. 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 design and constructing the

New Sakonnet Bridge is not being funded with the Series 2003A Bonds. See “THE CONSTRUCTION PROJECTS.”

Pursuant to the Act, the Issuer is authorized to issue bonds and notes (the “Grant Anticipation Bonds”) in anticipation of the receipt of federal revenues under the Federal Aid Agreements. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS – The Federal Aid Agreements” and “PLAN OF FINANCE.” The remaining portion of the Construction Costs is to be paid from the net proceeds of the Grant Anticipation Bonds or, if such Grant Anticipation Bonds are not issued, from certain federal highway transportation funds received by the Department under Title 23, United States Code, Highways, as amended and supplemented from time to time by any successor or replacement provision of law (“Title 23”). Failure of the Issuer to issue Grant Anticipation Bonds is not an event of default under the Trust Indenture. The Series 2003A Bonds are not secured by any pledge of any federal highway transportation funds, and are secured solely by the Trust Estate. See “INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS.”

Under a Payment Agreement by and among the Governor, 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 an amount equal to two cents (\$.02) per gallon of the State’s thirty cents (\$.30) per gallon Motor Fuel Tax imposed on motor fuel purchases (the “Allocated Funds”) to be utilized each year toward making Bond Payments for so long as any Bonds remain Outstanding, and (ii) the State, subject to appropriation by the General Assembly, has agreed to make payments to the Trustee of such Allocated Funds on a monthly basis. When received by the Trustee, the Allocated Funds shall be the “Pledged Revenues”. The Trustee shall use such Pledged Revenues to pay the debt service (the “Bond Payments”) on the Series 2003A Bonds. 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 on the Series 2003A Bonds, and any Additional Rhode Island Motor Fuel Tax Revenue 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) the Pledged Revenues that are paid to the Issuer or Trustee in accordance with the Act, the Motor Fuel Tax Act and the Payment Agreement, (ii) amounts on deposit in the Motor Fuel Tax Bond Payment Fund (the “Bond Payment Fund”) created under the Trust Indenture and held by the Trustee, (iii) amounts on deposit in the Debt Service Reserve Fund and (iv) amounts on deposit in the Residual Fund (collectively, the “Trust Estate”). The Series 2003A Bonds are special and limited obligations of the Issuer. The Payment Agreement will require the State to transfer all Allocated Funds to the Trustee, which shall deposit such revenues into the Bond Payment Fund, which Fund shall only be used to pay Bond Payments on and Redemption Price of the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS.” Any transfer of Allocated 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 by the General Assembly of the State. 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 secured solely by the Pledged Revenues under the Trust Indenture. 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 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 and provisions of the Issuer Act, the Program Act, the Payment Agreement and the Motor Fuel Tax Act. These descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Trust Indenture and the Payment Agreement are qualified in their entirety by reference to the definitive forms thereof, all references to the Issuer Act, Program Act and the Motor Fuel Tax Act are qualified in their entirety by reference to the complete statutes, regulations and published interpretations by 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 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 Grant Anticipation Bonds and not more than sixty-nine million six hundred fifty-seven thousand dollars (\$69,657,000) may be Bonds.

- 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 \$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 Grant Anticipation Bonds (as defined herein) and not more than twenty-one million four hundred thirty-three thousand dollars (\$21,433,000) may be 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 Grant Anticipation Bonds and the 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 Grant Anticipation Bonds and not more than eight million five hundred thousand dollars (\$8,500,000) may be Bonds.

- 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 US 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 Grant Anticipation Bonds to pay the capital costs and cost of issuance of the New Washington Bridge. No Bonds are authorized to finance the costs of the New Washington Bridge because federal matching requirements have been satisfied.

- 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 Grant Anticipation Bonds and not more than twenty-five million two hundred forty-eight thousand (\$25,248,000) may be 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 Construction Projects is expected by the Department to occur earlier than would otherwise be the case without such funding.

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 net proceeds of the Series 2003A Bonds will be used to provide the State Matching Funds required under Title 23. As required by Title 23, the Construction Projects have been included in the State transportation improvement program (the "TIP"). See "MANAGEMENT OF STATE HIGHWAY SYSTEM – State Planning Council." Each of the Series 2003A Construction Projects is 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 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 Series 2003A Bonds, the Construction Costs and the Trust Indenture and each Supplemental Indenture. Prior to the issuance of Additional Bonds, a portion of which is expected to provide the State Matching Funds for the New Sakonnet Bridge, the New Sakonnet Bridge will also be designated a Qualified Federal Aid Transportation Project.

For more information concerning the Federal Highway Administration's obligation to provide federal highway transportation funds for the Series 2003A Construction Projects and the simultaneous issuance of the Grant Anticipation Bonds, see "INFORMATION CONCERNING THE FUNDING OF FEDERAL-AID HIGHWAYS" 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.

Bonds to provide State Matching Funds

For each such Construction Project, the Program Act authorizes the Issuer to issue not more than a specified amount of Bonds, including the Series 2003A Bonds, to provide a portion of the additional State Matching Funds, if any, required by the federal aid highway program for each such project. 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.

Grant Anticipation Bonds

The Program Act also authorizes the Issuer to issue Grant Anticipation 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 highway transportation funds with respect to such Construction Projects. Simultaneously with the issuance of the Series 2003A Bonds, the Issuer expects to issue its \$216,805,000 Rhode Island Economic Development Corporation Grant Anticipation Bonds (Rhode Island Department of Transportation), Series 2003A (the "2003A Grant Anticipation Bonds") in order to accelerate the funding of the Construction Projects funded from such Grant Anticipation Bonds. The Program Act also limits the total amount of debt

service that may be incurred on such Grant Anticipation Bonds, including the 2003A Grant Anticipation Bonds, with respect to each of the Construction Projects.

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 \$124.838 million and provides statutory limits within this total for each of the Construction Projects. The Program Act also limits the total debt service on such Bonds to not more than \$185.208 million and provides statutory limits within this total for each of the Construction Projects. Similarly, with respect to the Grant Anticipation Bonds, the Program Act limits the par amount of Grant Anticipation Bonds, including the Series 2003A Grant Anticipation Bonds, that may be issued by the Issuer to not more than \$709.625 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 Grant Anticipation Bonds and the Bonds to not more than \$1,073 million.

Sources and Uses of Proceeds of the 2003 A Bonds

The Issuer is issuing the Series 2003A Bonds to pay a portion of the Series 2003A Construction Projects, to fund the Debt Service Reserve Fund to its Debt Service Reserve Fund Requirement and to pay the costs of issuing the Series 2003A Bonds. The sources and uses of the proceeds of the 2003A Bonds are as follows:

Sources:

Par Amount of Series 2003A Bonds	\$53,030,000.00
Net Original Issue Premium	<u>88,055.15</u>
Total Sources	<u>\$53,118,055.15</u>

Uses:

Costs of Series 2003A Construction Projects	\$49,205,961.84
Costs of issuance (including underwriters' discount and bond insurance premium)	510,444.55
Deposit to Debt Service Reserve Fund	<u>3,401,648.76</u>
Total Uses	<u>\$53,118,055.15</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 provide the balance of State Matching Funds, if any, required for completion of the Series 2003A Construction Projects and construction of the New Sakonnet Bridge. The Issuer expects to issue additional series of Grant Anticipation Bonds in 2006 and 2008, all within the Program Act par amount and debt service caps, in order to accelerate the receipt of federal highway transportation funds, if any, required for completion of the federally funded portion of the Series 2003A Construction Projects, the New Washington Bridge 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 projects 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 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 the redemption moneys with the Trustee not later than the opening of business 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

Pursuant to the Act, in order to provide the State Matching Funds necessary to pay a portion of the Construction Costs of the Construction Projects, the Issuer is authorized to issue the Bonds, including the Series 2003A Bonds. The Bonds are special and limited obligations of the Issuer and are payable from the Trust Estate as specified in the Trust Indenture. The Bonds and the payment of Bond Payments thereon are not general obligations of the Issuer and are secured solely by the Trust Estate, including the Pledged Revenues. The Pledged Revenues are comprised of revenues derived from the two cents (\$.02) per gallon of the thirty cents (\$.30) per gallon Motor Fuel Tax imposed by the Motor Fuel Tax Act. 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 ACCOUNT IS SUBJECT TO ANNUAL APPROPRIATION BY THE STATE GENERAL ASSEMBLY.

Payment by the State to the Trustee of the Allocated Funds is subject to the process described in the Payment Agreement, including annual appropriation by the General Assembly of funds credited to the ISTF. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – The Payment Agreement.” The 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 Series 2003A Bonds and any Additional Bonds, including without limitation any action to pledge, assign or otherwise transfer the right to receive the Allocated Funds to secure payments (i.e., the Bond Payments) on such Bonds. The General Assembly, however, is not legally bound to make an annual appropriation of the Allocated 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 the Allocated Funds. The Issuer can give no legal assurance that the General Assembly will annually appropriate the Allocated 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.

No assurance can be given that Motor Fuel (as defined herein) sales will in fact occur at a level sufficient to generate any particular level of Motor Fuel Tax receipts to meet the payment obligations under the Trust Indenture or in connection with the issuance of Additional Bonds. See “Additional Bonds” below. Generation of such Motor Fuel Tax receipts depends upon several factors, including but not limited to, the level of employment, the price of Motor Fuel, the fuel efficiency of motor vehicles and the availability of alternative fuels. In addition, no assurance can be given that the General Assembly will not in the future modify the basis upon which Motor Fuel taxes in the State are to be collected, including the amount thereof and the rate applied to Motor Fuel sales, or the amount due to other state funds or agencies, in a manner that will adversely affect payment of the Series 2003A Bonds. See “DEBT SERVICE REQUIREMENTS FOR THE SERIES 2003A BONDS.”

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 Allocated Funds anticipated to be received by the State in each State Fiscal Year; and (ii) state officials agree to follow specific procedures to facilitate the payment on a monthly basis of the Allocated Funds to the Trustee. 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 Pledged Revenues or the Security provided for the Bonds under the Trust 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 in 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 provisions 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.”

Agreement by the State

In accordance with the Issuer 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 Issuer 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 of the Pledged Revenues paid to the Issuer or the Trustee in accordance with the Program Act and the Payment Agreement and amounts on deposit in the Bond Payment Fund, the Debt Service Reserve Fund and the Residual 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.

The Issuer pledges in the Trust Indenture to the payment of the Bond Payments on 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 (such deposits being primarily the Pledged Revenues), the Debt Service Reserve Fund and the Residual Fund. The funds in the Bond Payment Fund, the Debt Service Reserve Fund and the Residual Fund shall only be used to pay Bond Payments on and Redemption Price of the Bonds.

The failure of the Trustee to make full payment of Bond Payments due on the Series 2003A Bonds is an Event of Default under the Trust Indenture gives rise under the Trust Indenture to certain remedial rights of the holders of the requisite percentage of the Series 2003A Bonds. See "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE – Events of Default" and " – Remedies." However, no assurance can be given that the amount realized from the taking of such actions will be sufficient to pay the principal of and interest on the Series 2003A Bonds.

The remedies available to the Trustee and the owners of the Series 2003A Bonds or 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.

Funds and Accounts

The Trust Indenture creates the Bond Payment Fund, the Construction Fund and an Earnings Account within the Construction Fund, a Debt Service Reserve Fund, a Rebate Fund and a Residual Fund. The Bond Payment Fund, the Debt Service Reserve Fund, the Residual Fund and amounts on deposit in those funds 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 the Redemption Price of each series of Bonds, but such separate accounts shall not affect the rights of the Owners of the State Highway Bonds with respect to the money in the Bond Payment Fund. The Trustee is required by the Trust Indenture 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 Series 2003A 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 Pledged Revenues, 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.

Debt Service Reserve Fund

The Trust Indenture requires the Trustee to maintain separate accounts for each Series secured by the Debt Service Reserve Fund, but the separate accounts do not affect the rights of the Owners of the Bonds secured by it to moneys in the Debt Service Reserve Fund. To the extent provided by a Supplemental Indenture authorizing any variable interest rate Bonds, put Bonds or bank Bonds, any such Bonds may be secured by a separate account in the Debt Service Reserve Fund, another debt service reserve fund or no debt service reserve fund, in which case any such account or other debt service reserve fund will not secure Bonds other than the specified Bonds and any related payments to the providers of Credit Facilities for which it is established and the specified Bonds will not be secured by the other accounts in the Debt Service Reserve Fund or, as applicable, by the Debt Service Reserve Fund. No payments in connection with an Interest Rate Exchange Agreement may be secured by or payable from any account in the Debt Service Reserve Fund.

The Issuer agrees that upon the issuance of any Bonds secured by the Debt Service Reserve Fund, it will deposit in the Debt Service Reserve Fund the amount, if any, required to make the amount on deposit equal to the Debt Service Reserve Fund Requirement. The Debt Service Reserve Fund Requirement, as of any date of calculation, (a) with respect to all Outstanding Bonds other than Bonds which at their date of issuance are or are deemed under the Trust Indenture to be for any period variable interest rate Bonds, put Bonds or bank Bonds, an amount equal to one-half of the greatest amount of Bond Payments with respect to such Outstanding Bonds for the then current or any future State Fiscal Year, except that as a result of the issuance of any Series of Bonds the interest on which is excluded from gross income for Federal income tax purposes the amount required to be on deposit to satisfy the Debt Service Reserve Fund Requirement will not exceed the sum of the amount on deposit in the Debt Service Reserve Fund Requirement immediately prior to the issuance of that Series plus 10% of the proceeds from the sale of that Series, and (b) with respect to Bonds which at their date of issuance are or are deemed hereunder to be for any period variable interest rate Bonds, put Bonds or bank Bonds, the amount set forth in or determined pursuant to

the Supplemental Indenture authorizing such Bonds as the Debt Service Reserve Fund Requirement for such Bonds. Despite the foregoing, the amount of the Debt Service Reserve Fund Requirement may be reduced to \$0 (i) if the amount of Pledged Revenues for any three consecutive State Fiscal Years exceeds by at least two times (2x) the maximum amount of Bond Payments coming due in any State Fiscal Year during which Bonds will be Outstanding and (ii) if and to the extent described in the following sentence hereof, shall be adjusted upward in monthly increments, but only to the extent Pledged Revenues are available therefor, following any such reduction to \$0. If the Debt Service Reserve Fund Requirement is reduced to \$0, the Department shall calculate, within ninety (90) days of the end of each ensuing State Fiscal Year, the ratio of Pledged Revenues for such State Fiscal Year to the maximum amount of Bond Payments coming due in that or any ensuing State Fiscal Year, and, if such ratio is less than two times (2x), the Department shall notify the Issuer and the Trustee that an amount equal to 1/18th of the Debt Service Reserve Fund Requirement determined in accordance with clause (a) above, shall be deposited in the Debt Service Reserve Fund during each ensuing month (but only if and to the extent Pledged Revenues applied in accordance with the flow of funds are sufficient therefor) until the amount on deposit in the Debt Service Reserve Fund equals the amount required by such clause (a).

If on the Business Day preceding any Bond Payment Date, the amounts on deposit in the Bond Payment Fund are not sufficient to make all such payments due on that payment date for Bonds secured thereby, the Trustee will immediately transfer the amount necessary from any account or accounts securing those Bonds to the Bond Payment Fund to the extent amounts on deposit in the Debt Service Reserve Fund are available. Any excess in the Debt Service Reserve Fund may be withdrawn from the Debt Service Reserve Fund and deposited in the Bond Payment Fund or may, in the discretion of the Issuer, be withdrawn from the Debt Service Reserve Fund and deposited into the Rebate Fund, the Construction Fund (if the excess originally constituted Bond proceeds) or the Earnings Account (if the excess constitutes investment earnings or Pledged Revenues) or paid over to the Department, in each case free and clear of any lien, pledge or claim under the Indenture as required or permitted by law. No such withdrawal may be made unless, at the time of the withdrawal, there exists no deficiency in any other fund or account pledged to the payment of Bonds.

In lieu of the required transfers or deposits of money to the Debt Service Reserve Fund, or as a replacement or substitution for any moneys or Permitted Investments then on deposit in the Debt Service Reserve Fund, the Issuer may at any time cause to be deposited into the Debt Service Reserve Fund a Reserve Fund Credit Facility for the benefit of the holders of the specified Bonds. Subject to the maintenance of the Debt Service Reserve Fund Requirement, amounts in the Debt Service Reserve Fund may, if required by the terms of any Reserve Fund Credit Facility, be used to repay any drawings on a Reserve Fund Credit Facility, but only if such repayment will result in a reinstatement of the amount available to be drawn under the Reserve Fund Credit Facility in an amount at least equal to the amount of the repayment.

In the event of the refunding of any Bonds, the Issuer may withdraw from the Debt Service Reserve Fund all or any portion of the amounts accumulated with respect to the Bonds being refunded and deposit those amounts with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded or apply those amounts to pay the costs of issuance of the Refunding Bonds.

Application of Pledged Revenues; Residual Fund

The assignment and pledge of Pledged Revenues to the Trustee for the benefit of the Owners of the Bonds under the Trust Indenture constitutes a first lien on the Pledged Revenues received by the Issuer or the Trustee. The Pledged Revenues 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 in an amount sufficient to pay the Current Payments, 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 other purposes expressly provided by the Trust

Indenture. 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 Debt Service Reserve Fund and then the Rebate Fund.

Pledged Revenues may then be used to pay debt service or any other obligations that do not have a lien on Pledged Revenues equal to the lien securing Bonds; provided, however, that Pledged Revenues shall not be so used if there exists a deficiency as to the amount required to be on deposit in the Bond Payment Fund, the Debt Service Reserve Fund or the Residual Fund as of the date of any such payment or transfer.

Any remaining Pledged Revenues will then be deposited into the Residual Fund, and amounts in the Residual Fund will be transferred, in the following order, to the Bond Payment Fund, the Debt Service Reserve Fund or the Rebate Fund to the extent necessary to meet the requirements of any such fund. To the extent that (i) the amount on deposit in the Bond Payment Fund is sufficient to meet Current Payments, (ii) there is no continuing payment default with respect to any Bonds, (iii) there are no deficiencies in the Debt Service Reserve Fund or the Rebate Fund, and (iv) as provided in a certificate of the RIDOT Director approved by the Director of Administration, any amounts to be released from the Residual Fund are not expected to be needed to make any subsequent Bond Payments, then any amount on deposit in the Residual Fund in excess of an amount equal to at least one-half of the maximum amount of Bond Payments coming due in any State Fiscal Year during which Bonds would then be scheduled to remain Outstanding may be released free and clear of the lien of the Trust Indenture for any lawful and authorized purpose, including the payment or redemption of Bonds.

Except as described above and for amounts held for the payment of Bonds not then deemed Outstanding, Pledged Revenues need not be retained for any use or in any account described in this Section in excess of the Pledged Revenues required for Current Payments.

Covenants Concerning the Pledged Revenues

In the Trust Indenture, the Department covenants, among other matters, (i) that so long as the Bonds remain Outstanding, it will take no action that would cause the Pledged Revenues or the Allocated Funds authorized by the Program Act to be paid other than in accordance with the Trust Indenture, and (ii) it shall 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 Costs and the subject matter of the Trust Indenture and each Supplemental Indenture. In the Trust Indenture, among other matters, the Issuer covenants that so long as the Bonds are Outstanding, the pledge by the Issuer of the Pledged Revenues for the payment of Bond Payments shall be irrevocable until all Bond Payments have been paid in full.

Additional Bonds

The Issuer shall not issue any notes, bonds, debentures, 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 outstanding Series 2003A Bonds and any series of Additional Bonds that may be subsequently issued, upon satisfaction of the requirements of the Trust Indenture before such issuance. No series of Additional Bonds may be issued unless an authorized officer of the Issuer certify that as of the delivery of such series of Additional Bonds, no Event of Default will have happened and then will be continuing. In addition, the Department must certify that (i) the amount of Pledged Revenues received by the State for each month during the most recent eighteen-month period for which reliable data is available preceding the month of the authentication and delivery of such series of Additional Bonds then proposed to be issued; (ii) the maximum annual Bond Payments for the Outstanding Bonds in the current and each future State 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 (iii) showing the amount of Pledged Revenues for any twelve consecutive months during the eighteen month period described above in (i) was not less than 125% of the maximum annual Bond Payments for each State Fiscal Year set forth in (ii) above.

The Issuer may also issue Additional Bonds without complying with the paragraph above for the purpose of refunding in whole or in part any Series 2003A 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 State Fiscal Year to and including the State Fiscal Year of the latest maturity on any Series 2003A Bonds then Outstanding is no greater than (b) the annual Bond Payments for all Bonds Outstanding immediately prior to such issuance during the same State 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 Series 2003A Bonds upon compliance with the test described in the preceding paragraph.

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 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 – Defeasance."

BOND INSURANCE

The following information has been furnished by Ambac Assurance Corporation ("Ambac Assurance") 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 FINANCIAL GUARANTY INSURANCE POLICY" and, with respect to special provisions for Ambac Assurance, "APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE – Provisions Relating to Insured Series 2003A Bonds."

Payment Pursuant to Financial Guaranty Insurance Policy

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2003A Bonds maturing on June 15 of the years 2006 through 2023, inclusive (the "Insured Series 2003A Bonds") effective as of the date of issuance of the Insured Series 2003A Bonds. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Insurance Series 2003A Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee/Paying Agent. The insurance will extend for the term of the Insured Series 2003A Bonds and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Insured Series 2003A Bonds become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Insured Series 2003A Bonds, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Insured Series 2003A Bonds on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Insured Series 2003A Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee/Paying Agent has notice that any payment of principal of or interest on an Insured Series 2003A Bonds which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

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

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

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Insured Series 2003A Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Insured Series 2003A Bonds to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Insured Series 2003A Bonds, appurtenant coupon, if any, or right to payment of principal or interest on such Insured Series 2003A Bonds and will be fully subrogated to the surrendering Holder's rights to payment.

Ambac Assurance Corporation

Ambac Assurance is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam, the Commonwealth of Puerto Rico and the U.S. Virgin Islands, with admitted assets of approximately **\$6,993,000,000** (unaudited) and statutory capital of **\$4,195,000,000** (unaudited) as of **September 30, 2003**. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Insured Series 2003A Bonds.

Ambac Assurance makes no representation regarding the Insured Series 2003A Bonds or the advisability of investing in the Insured Series 2003A Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "BOND INSURANCE".

Available Information

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

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

Incorporation of Certain Documents by Reference

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

- 1) The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
- 2) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
- 3) The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
- 4) The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
- 5) The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
- 6) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
- 7) The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
- 8) The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003;
- 9) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003;
- 10) The Company's Current Report on Form 8-K dated July 17, 2003 and filed on July 18, 2003;
- 11) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2003 and filed on August 14, 2003; and
- 12) The Company's Current Report on Form 8-K dated October 16, 2003 and filed on October 17, 2003.
- 13) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2003 and filed on November 14, 2003.

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

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) 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 the 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 worked 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 Office 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 Rhode Island House of Representatives.

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 "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 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.

The Federal Aid Agreements

The Act authorizes the Issuer to issue Grant Anticipation Bonds to finance one or more highway 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 intends to issue the Grant Anticipation 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 that are legally available for the payment of certain bond payments and construction costs under the Federal Aid Agreements. Under the Trust Indenture, the Department covenants to comply with the provision of Title 23, the regulations promulgated thereunder, and all other federal laws and regulations. There is no guarantee that the Issuer will issue the Grant Anticipation Bonds. Federal revenues received by the State

under the FAHP and Title 23 are not part of the Trust Estate, and no federal revenues are pledged as security for payment of Bond Payments. 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.

STATE MOTOR FUEL TAX

The following summary does not purport to be complete and, accordingly, is qualified by reference to Title 31, Chapter 36 of the Rhode Island General Laws, the “Motor Fuel Tax Act”. The General Assembly has altered and may in the future alter the Motor Fuel Tax Act. See “Legislation” below.

The Trust Estate includes the Pledged Revenues paid to the Trustee by the State under the Motor Fuel Tax Act and the Payment Agreement. Upon transfer from the State, the Pledged Revenues consist of two cents (\$.02) per gallon of the Motor Fuel Tax (defined below) receipts, net of refunds and adjustments as determined by the State. Refunds and adjustments relate to payments made by distributors for fuels which are later sold out of state and refunds for exempt uses (such as in commercial fishing) where the tax is initially paid and then refunded upon application. Such adjustments are made on a monthly basis and are provided for in the Payment Agreement. See STATE MOTOR FUEL TAX – Crediting of Receipts” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Creation of Trust Estate” and “Deposits of State Transportation Funds as Pledged Funds.” For purposes of this Official Statement, the term “Motor Fuel Tax” means the tax applied under the Motor Fuel Tax Act to Motor Fuel (as defined below).

General

The State has imposed a tax on motor fuel since 1925. “Fuels”, as defined in the Motor Fuel Tax Act, are generally limited to fuels used in propelling motor vehicles using internal combustion engines over the highways of the State, and includes gasoline and certain diesel fuel (collectively, “Motor Fuel”). The term “Fuels” as defined in the Motor Fuel Tax Act does not include diesel fuels for the propulsion of marine craft, airplane fuels, or oils used for heating purposes. Under the Motor Fuel Tax Act, certain users of Motor Fuel are either exempt from paying the Motor Fuel Tax or may be entitled to a refund from the State for payment of the Motor Fuel Tax. See “STATE MOTOR FUEL TAX – Exemptions, Refunds and Abatements from the Motor Fuel Tax.”

Motor Fuel Tax Rate

The tax rate (the “Motor Fuel Tax Rate”) under the Motor Fuel Tax Act is currently thirty cents (\$.30) per gallon of Motor Fuel.

**Comparison of Motor Fuel Tax Rates
For Contiguous States**

The table below lists gasoline and diesel tax rates effective as of January 1, 2003 exclusive of local taxes, license and inspection fees of the State, Connecticut and Massachusetts.¹

	Gasoline	Diesel
Rhode Island	30.0¢	30.0¢
Connecticut	25.0	26.0
Massachusetts	21.0	21.0

SOURCE: Federation of Tax Administrators.

¹ Pursuant to Title 46, Chapter 12.9 of the Rhode Island General Laws, as amended, wholesalers in Rhode Island collect an addition 1 cent per gallon tax (on gasoline and diesel fuel) when the product is sold to owners and/or operators of underground storage tanks, and remit such fee to the State Tax Administrator. This amount is deposited in the Rhode Island Underground Storage Tank Financial Responsibility Fund. For purposes of this Official Statement, this additional tax is not a component of the Motor Fuel Tax, and no portion of this additional tax is pledged as security for the Series 2003A Bonds.

Motor Fuel Tax Collection Procedure

Any person, firm, or corporation that imports or causes to be imported Motor Fuel (collectively referred to as “Distributors”) or who produces, refines, manufactures or compounds Motor Fuel must register to conduct such activities with the State Tax Administrator and deposit a surety bond based upon estimated sales of Motor Fuel Tax liability. Each such Distributor must file Motor Fuel Tax returns with the State Tax Administrator by the twentieth day of each month and simultaneously submit payments for taxable gallons of Motor Fuel sold during the preceding calendar month. Distributors must keep complete and accurate records of all sales of Motor Fuel including the name and address of the purchaser (except in the case of retail sales through filling stations operated by the Distributor), the place and date of delivery, the gross receipts and number of gallons for each type of Motor Fuel sold or used by such Distributor. Purchasers of Motor Fuel pay the Motor Fuel Tax to a Distributor when they purchase Motor Fuel. There are currently fewer than 100 Distributors who file Motor Fuel Tax returns with the State Tax Administrator.

Crediting of Receipts

Motor Fuel Tax receipts, are credited to the State Intermodal Surface Transportation Fund (the “ISTF”). Approximately ninety-five percent (95%) of such receipts are received by the State Tax Administrator by Electronic Funds Transfer. Within twenty-four hours of receipt, the State Tax Administrator is required to make the following transfers from the ISTF: one and four-tenths cents (\$.014) of the Motor Fuel Tax receipts to the State General Fund; six and eighty-five hundredths cents (\$.0685) of the Motor Fuel Tax receipts are transferred to the Rhode Island Public Transit Authority; one cent (\$.01) of the Gasoline Tax receipts is transferred to the Elderly Disabled Transportation Program of the Rhode Island Department of Elderly Affairs; and two cents (\$.02) of the Motor Fuel Tax receipts net of refunds and exemptions will be, subject to annual appropriations by the General Assembly, transferred to the Trustee for deposit in the Bond Payment Fund. All other funds in the Intermodal Surface Transportation Fund are dedicated to the Department, subject to annual appropriation by the General Assembly.

Exemptions, Refunds and Abatements from the Motor Fuel Tax

Sales of Motor Fuel to the federal government and to those entities which use Motor Fuel for the operation of railroad transportation on fixed rail tracks are exempt from the Motor Fuel Tax. In addition to these exemptions, Motor Fuel used by the Rhode Island Public Transit Authority for public passenger transportation services is exempt. Certain persons or entities that pay the Motor Fuel Tax and that use the Motor Fuel for certain exempt purposes may apply for a refund of the Motor Fuel Tax paid by supplying the original invoices for the purchase of such Motor Fuel and attesting, by affidavit filed with the State Tax Administrator, that the Motor Fuel was consumed for an exempt purpose. These persons or entities and related uses include, but are not limited to, sales between licensed Distributors or sales by a licensed Distributor to a person or entity outside the State, farmers, lumbermen and water well drillers who use Motor Fuel in stationary engines, tractors or motor vehicles not registered for use or used on public highways, commercial fishing operators and ferry operators who use Motor Fuel in the operation of their businesses, manufacturers who use diesel engine fuel for the manufacture of power and who use fuels other than gasoline and diesel engine fuel as industrial raw material and municipalities and sewer commissions using Motor Fuel in the operation of vehicles not registered for use on public highways. The State Tax Administrator estimates that, on average, less than 0.5% of annual Motor Fuel Tax receipts are refunded.

Legislation

The General Assembly has previously amended and may in the future amend (1) the imposition of the Motor Fuel Tax on Motor Fuel, including its imposition on different or alternative motor fuels; (2) the Motor Fuel Tax Rate; and (3) the allocation of Motor Fuel Tax receipts between the various State operating funds, including the ISTF.

Historical Information Regarding Motor Fuel Tax

The level of Motor Fuel Tax receipts are directly related to the consumption of Motor Fuel in the State. Future consumption of Motor Fuel may be affected by many factors beyond the control of the State including, but not limited to, the level of employment, the price of Motor Fuel, the fuel efficiency of motor vehicles, and the availability of alternative motor fuels, and therefore there can be no assurance that historical experience with collections of the Motor Fuel Tax will be indicative of future receipts. The Motor Fuel Tax Act does not restrict the right of the General Assembly to amend, repeal, modify, or otherwise alter the Motor Fuel Tax.

The State has increased the Motor Fuel Tax Rate several times since 1990 but just once in the last decade. The State's Fiscal Year commences on July 1 in each calendar year and ends on the last day of June of the next succeeding year; the abbreviation "FY" is used to describe a State Fiscal Year herein. The FY 1992 Appropriations Act increased the Motor Fuel Tax Rate from twenty cents per gallon to twenty-six cents per gallon; the FY 1994 Appropriations Act increased the Motor Fuel Tax Rate to twenty-eight cents per gallon; and the FY 2003 Appropriations Act increased the Motor Fuel Tax Rate to thirty cents per gallon. Throughout this period, the State budgets as enacted varied the allocation of Motor Fuel Tax receipts for various state funds. The current allocation of the Motor Fuel Tax receipts is described in "STATE MOTOR FUEL TAX – Crediting of Receipts."

The following tables set forth certain information regarding historical gasoline sales and collections of the Motor Fuel Tax.

Historical Motor Fuel Sales

Fiscal Year	Average Price of Gasoline ⁽¹⁾	Taxable Gasoline (millions of gallons) ⁽²⁾	Taxable Diesel (millions of gallons) ⁽³⁾	Non-Agricultural Employment (thousands) ⁽⁴⁾
2003	\$1.546	405.0	56.2	478.7
2002	1.348	409.0	57.2	477.8
2001	1.619	405.0	56.4	479.2
2000	1.448	410.6	55.3	471.8
1999	1.067	402.0	53.7	461.1
1998	1.205	393.1	48.5	454.2
1997	1.311	387.9	47.6	445.2
1996	1.230	379.9	51.5	440.4
1995	1.180	372.6	45.2	437.5
1994	1.071	374.7	43.7	432.6

SOURCES: “Average Price of Gasoline” and “Non-Agricultural Employment,” Economy.com. “Motor Fuel Tax Consumption Analysis,” State Tax Administrator.

- (1) Average retail price of self-serve regular unleaded gasoline for each fiscal year including all applicable taxes.
- (2) Net of tax-free gallons. See “Exemptions, Refunds and Abatements from the Motor Fuel Tax.”
- (3) Net of tax-free gallons. See “Exemptions, Refunds and Abatements from the Motor Fuel Tax.”
- (4) Seasonally adjusted using 2003 benchmark. Calculated as fiscal year average of monthly employment. FY 2003 value based upon May 2003 Revenue Estimating Conference Consensus Economic Forecast.

Historical Annual Collection Of Motor Fuel Tax

Fiscal Year	Average Motor Fuel Tax Rate ⁽¹⁾	Motor Fuel Tax Receipts (in thousands) ⁽²⁾	Percentage Change	One Cent of Motor Fuel Tax (in thousands)	Percentage Change
2003	\$.30	\$138,780	6.65%	\$4,630	0.46%
2002	.28	130,130	1.42	4,650	1.42
2001	.28	128,310	-0.91	4,580	-0.91
2000	.28	129,490	9.11	4,620	9.11
1999	.28	118,680	-5.05	4,240	-5.05
1998	.28	124,990	4.25	4,460	4.25
1997	.28	119,890	0.51	4,280	0.51
1996	.28	119,280	2.76	4,260	2.76
1995	.28	116,080	.34	4,150	.34
1994	.28	115,690		4,130	

SOURCE: State Tax Administrator.

- (1) Average of Motor Fuel Tax Rate in effect during each fiscal year.
- (2) Includes all Motor Fuel Tax collected by the State and credited to various budgeted funds. See “STATE MOTOR FUEL TAX – Crediting of Receipts.” Net of refunds and abatements from Motor Fuel Tax. See “STATE MOTOR FUEL TAX – Exemptions, Refunds and Abatements from the Motor Fuel Tax.” Information for Fiscal Year 2002 and 2003 is unaudited.

**Historical Monthly Collection Of Motor Fuel Tax
Most Recent 24 Months Ending August 2003**

<u>Month</u>	Motor Fuel Tax Receipts (in thousands) ⁽¹⁾	One Cent of Motor Fuel Tax (in thousands)
September, 2001	\$11,672	\$398.1
October, 2001	10,653	356.1
November, 2001	11,402	380.1
December, 2001	10,552	351.7
January, 2002	10,271	342.4
February, 2002	10,293	343.1
March, 2002	9,539	318.0
April, 2002	10,585	352.8
May, 2002	10,552	351.7
June, 2002	11,692	389.7
July, 2002	11,166	372.2
August, 2002	12,816	427.2
September, 2002	12,360	412.0
October, 2002	11,634	387.8
November, 2002	11,999	400.0
December, 2002	10,870	362.3
January, 2003	11,985	399.5
February, 2003	10,799	360.0
March, 2003	10,156	338.5
April, 2003	11,628	387.6
May, 2003	11,099	370.0
June, 2003	12,269	409.0
July, 2003	11,839	394.6
August, 2003	11,841	394.7
September, 2003	12,802	426.7

SOURCE: State Tax Administrator.

- (1) Net of refunds and abatements from Motor Fuel Tax. See "STATE MOTOR FUEL TAX – Exemptions, Refunds and Abatements from the Motor Fuel Tax."

Projected Collection of Gasoline Tax and Motor Fuel Tax Pledged Revenues

Under Title 35, Chapter 16 of Rhode Island General Laws, as amended, the State has established Revenue Estimating Conferences. The principals of the Revenue Estimating Conferences are the fiscal advisor to the House of Representatives, the fiscal advisor to the Senate and the State Budget Officer. The purpose of the Revenue Estimating Conferences is to develop a consensus economic forecast, to forecast revenue estimates and to review current collections under current tax law. The Revenue Estimating Conferences forecasts state tax revenues in November and May of each year; the Governor's budget proposal is submitted to the General Assembly in February of each year. The May 2003 Revenue Estimating Conference projected that total Motor Fuel Tax receipts for FY 2004 will equal approximately \$141.6 million, or 1.07%, more than the Motor Fuel Tax receipts estimated for FY 2003. Based upon this assumption, Allocated Funds collected during FY 2004 and paid to the Trustee as Pledged Revenues will equal approximately \$9.44 million. The estimated rate of growth of the Motor Fuel Tax receipts contained in the FY 2004 Appropriations Act (adopted in July, 2003) is consistent with the estimate made by the Revenue Estimating Conference in May, 2003. The actual revenues that will be collected by the State may vary from the forecast contained in the FY 2004 Appropriation Act or made by the May, 2003 Revenue

Estimating Conference because of fluctuating economic conditions, technological advances, changes in law and other variables affecting revenue growth.

DEBT SERVICE REQUIREMENTS FOR THE 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	\$5,625,000	\$980,998.61	\$6,605,998.61
2005	5,150,000	1,653,297.52	6,803,297.52
2006	5,150,000	1,550,297.52	6,700,297.52
2007	2,350,000	1,395,797.52	3,745,797.52
2008	2,405,000	1,346,447.52	3,751,447.52
2009	1,955,000	1,286,322.52	3,241,322.52
2010	1,720,000	1,231,582.52	2,951,582.52
2011	2,280,000	1,179,982.52	3,459,982.52
2012	2,355,000	1,103,032.52	3,458,032.52
2013	2,445,000	1,017,663.76	3,462,663.76
2014	2,535,000	925,976.26	3,460,976.26
2015	2,635,000	827,745.02	3,462,745.02
2016	2,535,000	722,345.02	3,257,345.02
2017	2,085,000	617,776.28	2,702,776.28
2018	2,165,000	530,206.28	2,695,206.28
2019	2,260,000	438,193.78	2,698,193.78
2020	1,615,000	339,318.76	1,954,318.76
2021	1,685,000	266,643.76	1,951,643.76
2022	1,255,000	190,818.76	1,445,818.76
2023	2,825,000	132,775.00	2,957,775.00
	\$53,030,000	\$17,737,221.45	\$70,767,221.45

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 State Planning Council (“SPC”), as the designated Metropolitan Planning Organization for the State, is responsible for adopting strategic plans and the long-range state guide plan, including the TIP. The SPC consists of eighteen members each of whom is appointed from state executive agencies, the legislature,

local government or the public, 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.

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 and bond payments 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. No funds held in the ISTF, however, other than the Pledged Revenues, are pledged to the Trustee as security for the Series 2003A Bonds.

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.

State Tax Administrator

Pursuant to Title 41, Chapter 1, the State Tax Administrator is appointed within the Department of Administration by the Director of the Department of Administration with the approval of the Governor. The State Tax Administrator is required to assess and collect all taxes, including the Motor Fuel Tax. Pursuant to the Motor Fuel Tax Act, any suit for the collection of the Motor Fuel Tax (and interest on delinquent taxes) are initiated by the State Tax Administrator. Any interest paid on delinquent tax has been deposited in the ISTF, and distributed to the various funds and programs consistent with the receipt of Motor Fuel Tax revenues. Although it is not required under the Motor Fuel Tax Act, the State anticipates continuing to deposit any interest payments to the ISTF (rather than transferring all interest payments to the General Fund) and a portion of the interest payments related to the \$.02 of the \$.30 per gallon Motor Fuel Tax would be considered a component of the Trust Estate when received by the Trustee on a monthly basis. The amount of interest payments for delinquent payment of the Motor Fuel Tax is, on an annual basis, immaterial.

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 enjoin 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.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Series 2003A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Series 2003A Bonds of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Series 2003A Bonds is expected to be the initial public offering price set forth on the inside cover page of this Official Statement. Co-Bond Counsel further are of the opinion that, for any Series 2003A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Bonds.

In general, under Section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a

compounding rate determined by reference to the yield on that Discount Bond. An owner's adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

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 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 "STATE MOTOR FUEL TAX" herein for the prior State 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+, A2 and A, 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 financial guaranty insurance policy to be issued by Ambac Assurance 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 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 \$52,928,577.32 (being the aggregate principal amount of \$53,030,000 plus net original issue premium of \$88,055.15 and less an Underwriters' discount of \$189,477.83). 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 Grant Anticipation 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 substantial final form of which is attached hereto as “APPENDIX A – PROPOSED FORM OF OPINION OF 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 may be obtained from the Department's Chief Financial Officer, located at Two Capitol 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 Motor Fuel Tax 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 \$53,030,000 Rhode Island Motor Fuel Tax Revenue 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 Motor Fuel Tax Revenue 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 recitals thereto.

Allocated Funds shall have the meaning provided by the Payment Agreement.

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.

Authorized State Transportation Projects means the Program Act Projects that may be funded from the proceeds of Bonds.

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 State 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 Pledged Revenues 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 State Fiscal Year or on a Bond Payment Date cannot be determined with certainty on the date on which Pledged Revenues are to be paid to the Trustee pursuant to the Master Indenture, or in determining the amount of Bond Payments becoming due during a State 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 State 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 motor fuel tax revenue 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 Indenture 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) State Matching Funds, or the design of, acquisition of right-of-way for, construction of and improvements made as part of the Authorized State Transportation 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, including any Reserve Credit Facility. 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 Pledged Revenues for the payment of all Bond Payments and Program Costs, which become due during the current State Fiscal Year.

Debt Service Reserve Fund means the special fund created by the Master Indenture.

Debt Service Reserve Fund Requirement means as of any date of calculation, (a) with respect to all Outstanding Bonds other than Bonds which at their date of issuance are or are deemed thereunder to be for any period variable interest rate Bonds, put Bonds or bank Bonds, an amount equal to at least one-half of the greatest amount of Bond Payments with respect to such Outstanding Bonds for the then current or any future State Fiscal Year; *provided, however, that* as a result of the issuance of any Series of Bonds the interest on which is excluded from gross income for Federal income tax purposes the amount required to be on deposit to satisfy the Debt Service Reserve Fund Requirement shall not exceed the sum of the amount on deposit in the Debt Service Reserve Fund Requirement immediately prior to the issuance of such Series plus 10% of the proceeds from the sale of such Series, and (b) with respect to Bonds which at their date of issuance are or are deemed thereunder to be for any period variable interest rate Bonds, put Bonds or bank Bonds, the amount set forth in or determined pursuant to the Supplemental Indenture authorizing such Bonds as the Debt Service Reserve Fund Requirement for such Bonds; *provided further that* the amount of the Debt Service Reserve Fund Requirement (i) may be reduced to \$0 upon the satisfaction of certain conditions set forth in the Master Indenture and (ii) if and to the extent required by the Master Indenture, shall be adjusted upward in monthly increments, but only to the extent Pledged Revenues are available therefor, following any such reduction to \$0. For purposes of this definition, “proceeds” shall have the meaning given such term for purposes of Section 148(d) of the Code.

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 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 obligations issued or incurred under the GARVEE Master Indenture.

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.

IST Fund means the Intermodal Surface Transportation Fund created by Section 31-36-20 of the Rhode Island General Laws, as amended or supplemented from time to time, including any successor fund.

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 this 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 Costs.

Operations Center means the operations center of the Trustee located at 2001 Bryan Street, 9th Floor, Dallas, Texas 25201 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 relating to the Pledged Revenues 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 thereunder, 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.

Pledged Revenues means the Allocated Funds authorized, appropriated and transferred to the Trustee pursuant to the Program Act to secure the Bonds (which amount shall be net of any amounts deemed necessary for refunds), together with any other revenues, if any, made available therefor and appropriated by the General Assembly of the State.

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 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 Pledged Revenues 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 thereunder.

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.

Reserve Fund Credit Facility means (i) any irrevocable, unconditional letter of credit issued by a bank or savings and loan association whose long-term uncollateralized debt obligations are rated in one of the two highest Rating Categories by each nationally recognized rating agency then rating any Series of Bonds at the request of the Issuer, or if no Series of Bonds is then rated, by any nationally recognized rating agency, and (ii) any insurance policy providing substantially equivalent liquidity as an irrevocable, unconditional letter of credit, and which is issued by a municipal bond or other insurance company, obligations insured by which are rated in one of the two highest Rating Categories by each nationally recognized rating agency then rating any Series of Bonds at the request of the Issuer, or if no Series of Bonds is then rated, by any nationally recognized rating agency and which is used, to the extent permitted under applicable law, including the Act, to fund all or a portion of the Debt Service Reserve Fund Requirement.

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

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, as amended, its successors and assigns.

RIDOT Representative means (a) the Director of RIDOT; (b) the Deputy Director of RIDOT; (c) the Assistant Director of 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.

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.

Supplemental Indenture means any indenture supplementing or amending the Master Indenture that is adopted pursuant to 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 thereunder, and any successor thereto appointed thereunder.

Trustee Representative means any officer in the corporate trust department 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 thereby acknowledged, in order to secure the payment of the Bond Payments on all Bonds at any time Outstanding thereunder, 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 therein as the “Trust Estate”):

(a) all Pledged Revenues that are paid to the Issuer or the Trustee and available in accordance with the 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 the Bond Payment Fund, the Debt Service Reserve Fund, the Residual Fund or any other 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 from time to time thereafter by delivery or by writing of any kind specially granted, assigned or pledged as and for additional security thereunder, by the Issuer, the State or anyone else, in favor of the Trustee, which is thereby 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 Pledged Revenues 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 Pledged Revenues, subject to annual appropriation by the State, received by the Issuer or the Trustee and moneys held in the Bond Payment Fund, Debt Service Reserve Fund and any other accounts pledged therefor. 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 Pledged Revenues) 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 (other than the Issuer), 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 thereby 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 therein, 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 thereby authorizes the issuance of motor fuel tax obligations pursuant to the Act (the “Bonds”) for the purpose of financing the Construction Costs or Refunding Bonds that were issued to finance the Construction Costs. 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 Motor Fuel Tax Revenue 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 therein 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 and the Debt Service Reserve 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 this 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 Pledged Revenues received by the State for each month during the most recent eighteen month period for which reliable data is available preceding the month of 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 State 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 amount of Pledged Revenues for any twelve consecutive months during the eighteen month period described in (w) is not less than 125% of the maximum annual Bond Payments for each State Fiscal Year set forth in (x).

(b) A written certification or opinion by an Authorized Issuer Representative that the requirements under 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) under 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 State 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.

(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; whether any such Bonds shall be variable interest rate Bonds, put Bonds or bank Bonds and with respect thereto, if applicable, provisions relating to the establishment of a separate account or subaccount for such Series in the Debt Service Reserve Fund or a separate debt service reserve fund; 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, including the amounts if any required to be deposited in the Debt Service Reserve Fund.

(vii) Any variations from the terms set forth in the Master Indenture with respect to the additional Bonds, including to the extent applicable any provisions relating to any Credit Facility, Interest Rate Exchange Agreement or Reserve Fund Credit Facility and the obligations payable thereunder.

(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 State 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 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 (Section 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.*** A special fund is thereby created with the Trustee to be designated the Rhode Island Economic Development Corporation Motor Fuel Tax Revenue 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) amounts paid to the Trustee pursuant to the Master Indenture from Pledged Revenues to the extent needed to pay the Current Payments; (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 Debt Service Reserve Fund, the Construction Fund or the Residual Fund pursuant to, respectively, the Master Indenture; (vi) moneys deposited into the Bond Payment Fund pursuant to the Master Indenture following an Event of Default; (vii) moneys deposited into the Bond Payment Fund pursuant to the Master Indenture; and (viii) 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.*** A special fund is thereby created with the Trustee to be designated the Rhode Island Economic Development Corporation Motor Fuel Tax Revenue 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 thereto 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 from Pledged Revenues 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 Authorized State Transportation Projects to be paid from the proceeds of Bonds 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.

Debt Service Reserve Fund (Section 5.03)

(a) ***Creation of Debt Service Reserve Fund.*** A special fund is thereby created with the Trustee to be designated the Rhode Island Economic Development Corporation Motor Fuel Tax Revenue Bond Debt Service Reserve Fund (the “Debt Service Reserve Fund”), which if necessary shall be transferred to the Bond Payments Fund 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 Debt Service Reserve Fund to account for the receipt of moneys from different Series of Bonds, but such separate accounts shall not affect the rights of the Owners of the Bonds with respect to moneys in the Debt Service Reserve Fund, except to the extent expressly provided by Supplemental Indenture with respect to any variable interest rate Bonds, put Bonds or bank Bonds. To the extent provided in the related Supplemental Indenture, the Trustee shall establish a separate account and related

subaccounts in the Debt Service Reserve Fund or a separate debt service reserve fund or establish that there shall be no debt service reserve fund securing such Bonds pursuant to a Supplemental Indenture in connection with the authorization and issuance of any one or more Series of variable interest rate Bonds, put Bonds or bank Bonds and any related payments to the providers of Credit Facilities; *provided, however, that* any such accounts and subaccounts or other debt service reserve fund shall not secure Bonds other than the Bonds and any related payments to the providers of Credit Facilities for which it is established and any such Bonds shall not be secured by the other accounts or subaccounts in the Debt Service Reserve Fund or, as applicable, by the Debt Service Reserve Fund. No payments in connection with an Interest Rate Exchange Agreement may be secured by or payable from any such account or subaccount in the Debt Service Reserve Fund.

(b) ***Deposits into Debt Service Reserve Fund.*** The Issuer covenants that (i) upon the issuance of any Bonds thereunder, subject to the provisions thereof, to deposit in the Debt Service Reserve Fund the amount, if any, required to make the amount on deposit equal to the Debt Service Reserve Fund Requirement and (ii) from time to time, subject to the provisions thereof, to deposit in the Debt Service Reserve Fund the amount, if any, transferred for such purpose pursuant to the Master Indenture.

(c) ***Withdrawals from Debt Service Reserve Fund.*** If on the Business Day preceding any Bond Payment Date, the amounts on deposit in the Bond Payment Fund are not sufficient to make all such payments due on such date with respect to Bonds secured thereby, the Trustee shall immediately transfer the amount necessary from any account or accounts securing such Bonds to the Bond Payment Fund to the extent amounts on deposit in the Debt Service Reserve Fund are available. If, after applying all amounts on deposit in the related accounts and subaccounts of the Debt Service Reserve Fund, there are insufficient amounts to pay the Bond Payments due on such date, the Trustee shall immediately notify the Issuer of such fact and of the amount so applied and the amount of the deficiency. If at any time the amount on deposit in the Debt Service Reserve Fund shall exceed the Debt Service Reserve Fund Requirement (such excess being determined (i) after giving effect to any Reserve Fund Credit Facility deposited in such Fund and (ii) assuming the Debt Service Reserve Fund Requirement is adjusted to give effect to any interest payments made and to the payment (or deemed payment in accordance with the Master Indenture) of any Bonds), such excess shall be withdrawn from the Debt Service Reserve Fund and deposited in the Bond Payment Fund, or may, in the discretion of the Issuer, be withdrawn from the Debt Service Reserve Fund and deposited into the Rebate Fund, the Construction Fund (if such excess originally constituted Bond proceeds) or the Earnings Account (if such excess constitutes investment earnings or Pledged Revenues) or paid over to RIDOT, in each case free and clear of any lien, pledge or claim under the Indenture as required or permitted by law, provided that such withdrawal shall not be made unless, at the time of such withdrawal, there shall exist no deficiency in any other fund or account pledged to the payment of Bonds.

(d) ***Reserve Fund Credit Facility.*** In lieu of the required transfers or deposits of money to the Debt Service Reserve Fund, or as a replacement or substitution for any moneys or Permitted Investments then on deposit in the Debt Service Reserve Fund, the Issuer may at any time cause to be deposited into the Debt Service Reserve Fund a

Reserve Fund Credit Facility for the benefit of the holders of the specified Bonds and payments to the providers of Credit Facilities. If a disbursement is made pursuant to a Reserve Fund Credit Facility provided pursuant to this subsection, the Issuer shall be obligated, but only from the sources of payment specified therein, either (i) to promptly reinstate the maximum limits of such Reserve Fund Credit Facility or (ii) to deposit into the Debt Service Reserve Fund at the times provided therein, funds in the amount of the disbursement made under such Reserve Fund Credit Facility, or (iii) to promptly deposit into the Debt Service Reserve Fund a different Reserve Fund Credit Facility having a maximum limit equal to the amount of the disbursement made under the existing Reserve Fund Credit Facility, or (iv) to utilize any combination of the alternatives set forth in clauses (i), (ii) or (iii) above as shall provide that the amount in the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement. Subject to the maintenance of the Debt Service Reserve Fund Requirement, moneys and Permitted Investments on deposit in the Debt Service Reserve Fund may, if required by the terms of any Reserve Fund Credit Facility, be utilized by the Issuer to repay any drawings on such Reserve Fund Credit Facility, but only if such repayment will result in a reinstatement of the amount available to be drawn under such Reserve Fund Credit Facility in an amount at least equal to the amount of such repayment.

(e) ***Refundings.*** In the event of the refunding of any Bonds, the Issuer may withdraw from the Debt Service Reserve Fund all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with the Trustee to be held for the payment of the principal or Redemption Price, if applicable, of and interest on the Bonds being refunded or apply such amounts to pay the costs of issuance of the Refunding Bonds, or, if not so applied, such amounts shall be applied in the same manner as provided for excess amounts in the Debt Service Reserve Fund in accordance with this heading; *provided, however, that* such withdrawal shall not be made unless (i) upon such refunding, the Bonds being refunded shall be deemed to have been paid within the meaning and with the effect provided in the Master Indenture, (ii) the amount remaining in the Debt Service Reserve Fund, after giving effect to any Reserve Fund Credit Facility deposited in such fund, shall not be less than the Debt Service Reserve Fund Requirement, and (iii) at the time of such withdrawal, there shall exist no deficiency in any fund or account pledged to the payment of Bonds established under the Indenture.

Rebate Fund (Section 5.04)

(a) ***Creation of Rebate Fund.*** A special fund is thereby created with the Trustee to be designated Rhode Island Economic Development Corporation Motor Fuel Tax Revenue 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 State Fiscal Years after the final retirement of the Bonds.

Moneys to be Held in Trust (Section 5.05)

The Bond Payment Fund, the Debt Service Reserve Fund, the Residual Fund and, except for the Construction Fund and the Rebate Fund, any other fund or account created thereunder 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 Master Indenture. 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 5.06)

(a) RIDOT, the Issuer and the Trustee agree that all moneys held as part of any fund or account created thereunder 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 the Debt Service Reserve Fund or any account thereof shall, except as otherwise provided by Supplemental Indenture and unless and except to the extent an Authorized Issuer

Representative directs the Trustee to deposit any such earnings into the Bond Payment Fund, be deposited into or charged against the fund or account in which realized.

(e) 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.

(f) 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.

(g) 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.

(h) 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 Pledged Revenues; Residual Fund (Section 5.07)

The assignment and pledge of Pledged Revenues 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 Pledged Revenues received by the Issuer or the Trustee. All Pledged Revenues received by the Issuer or the Trustee shall constitute Pledged Revenues which shall be subject to the assignment and lien thereof upon receipt thereof by Issuer or the Trustee, as applicable.

Amounts received by the Issuer or the Trustee pursuant under this heading and 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 under this heading and the Master Indenture in an amount sufficient to pay the Current Payments. Amounts on deposit in an account of the Bond Payment Fund shall be used only to pay Bond Payments on and Redemption Price of the 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:

- (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 Bonds, including amounts due pursuant to mandatory sinking fund redemption.
- (iii) Redemption Price. To pay the Redemption Price of the Bonds next coming due pursuant to optional redemption prior to maturity.

(b) Pledged Revenues shall be deposited in the Debt Service Reserve Fund, as necessary to make the amount on deposit therein (after giving effect to any Reserve Fund Credit Facility deposited therein pursuant to the Master Indenture) at least equal to the Debt Service Reserve Fund Requirement.

(c) Pledged Revenues shall be deposited, as necessary, in the Rebate Fund as required by the Master Indenture.

(d) Pledged Revenues may be used to pay or provide for debt service or any other obligations without a lien on Pledged Revenues equal to the lien thereon of Bonds; *provided, however, that* Pledged Revenues shall not be so used if there exists a deficiency as to the amount required to be on deposit in the Bond Payment Fund, the Debt Service Reserve Fund or the Residual Fund as of the date of such payment or transfer.

(e) Subject to the preceding paragraphs under this heading and the Master Indenture, any remaining Pledged Revenues shall be deposited into the Residual Fund which is thereby created with the Trustee to be designated Rhode Island Economic Development Corporation Motor Fuel Tax Revenue Bonds Residual Fund (the “Residual Fund”).

(f) Amounts in the Residual Fund shall be transferred, in the following order, to the Bond Payment Fund, the Debt Service Reserve Fund or the Rebate Fund to the extent necessary to meet the requirements of any such fund or account therein. To the extent that (i) the amount on deposit in the Bond Payment Fund is sufficient to meet Current Payments, (ii) there is no continuing Event of Default pursuant to the Master Indenture, (iii) there are no deficiencies in the Debt Service Reserve Fund or the Rebate Fund, and (iv) as provided in a certificate of the RIDOT Director approved by the Director of Administration, any amounts to be released from the Residual Fund are not expected to be needed to make any subsequent Bond Payments, then any amount on deposit in the Residual Fund in excess of an amount equal to one-half of the maximum amount of Bond Payments coming due in the current or any future State Fiscal Year during which Bonds would then be scheduled to remain Outstanding may be released free and clear of the lien of the Master Indenture for any lawful and authorized purpose, including the payment or redemption of Bonds. Except as expressly required by this heading and for amounts held for the payment of Bonds not then deemed Outstanding, Pledged Revenues need not be retained for any use or in any account described in this heading in excess of the Pledged Revenues required for Current Payments.

Representations, Covenants and Warranties (Section 6.01 through 6.10)

The Issuer and RIDOT represent, covenant and warrant as indicated therein 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) The Director of RIDOT is authorized by the Program Act to direct, with the approval of the Director of Administration, but subject to annual appropriation by the State, the transfer of the Allocated Funds provided by the Program Act to the Trustee, and pursuant to the Payment Agreement the Director of RIDOT, with the approval of the Director of Administration, but subject to annual appropriation by the State, has lawfully and irrevocably directed such transfers to be made directly from the IST Fund to the Trustee for so long as Bonds remain Outstanding.

(c) The execution, delivery and performance of their respective obligations under the Master Indenture by the Issuer and 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.

(d) The amount of funds borrowed pursuant to each Supplemental Indenture will not exceed the sum of (i) the Construction Costs to be financed, including an amount necessary to pay any applicable Program Costs.

(e) 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 the Issuer is a party or by which the Issuer is bound or any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the Issuer or its properties are subject or constitute a default under any of the foregoing.

(f) So long as Bonds are Outstanding, the pledge by the Issuer of the Pledged Revenues for the payment of Bond Payments shall be irrevocable until all Bond Payments have been paid in full.

(g) RIDOT covenants that so long as Bonds remain Outstanding it will take no action that would cause the Pledged Revenues or the Allocated Funds authorized by the Program Act to be paid other than in accordance with the Master Indenture.

(h) The payment of Bond Payments to the Trustee for the payment of the Bonds from Pledged Revenues, subject to annual appropriation by the State, 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 Costs or for any other reason.

(i) 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 Costs and the subject matter of the Master Indenture and each Supplemental Indenture.

(j) 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 Pledged Revenues 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 Pledged Revenues. 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 Pledged Revenues 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 Pledged Revenues. 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.

(c) If and to the extent the entire amount of the Bonds Payments due on a Bond Payment Date is not on deposit in the Bond Payment Fund on the fifth Business Day preceding such Bond Payment Date, the Trustee shall immediately notify the Issuer and RIDOT, by telephone confirmed by telecopier, of the amount of any deficiency.

Payment of Pledged Revenues to Trustee

(a) The Payment Agreement requires that the Allocated Funds shall be transferred to the Trustee monthly. The Trustee shall deposit the Pledged Revenues and other revenues received by the Trustee as set forth in the Master Indenture.

(b) 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 pledge of Pledged Revenues or the amount of Pledged Revenues payable to the Trustee, including such actions as are necessary to cause Pledged Revenues to be appropriated for such purposes by the State; (ii) use their best efforts to take all actions reasonably necessary in their

respective judgment 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 pledge of the Pledged Revenues or the amount of Pledged Revenues payable to the Trustee 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 the Owners 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 this Indenture or (ii) to conform to provisions of State law respecting the process for appropriateness 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 included in the Trust Estate or from moneys requisitioned from the Construction Fund pursuant to the Master Indenture, or pursuant to the Master Indenture or from any other fund or account thereunder, 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 Pledged Revenues 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 42-62-22 of the Issuer Act, the Issuer does thereby 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.

Incremental Re-imposition of Debt Service Reserve Fund Requirement

If the Debt Service Reserve Fund Requirement is reduced to \$0 pursuant to the Master Indenture, RIDOT shall calculate, within 90 days of the end of each ensuing State Fiscal Year, the ratio of Pledged Revenues for such State Fiscal Year to the maximum amount of Bond Payments coming due in that or any ensuing State Fiscal Year and, if such ratio is less than two times (2x), RIDOT shall notify the Issuer and the Trustee that an amount equal to 1/18th of the Debt Service Reserve Fund Requirement determined in accordance with clause (a) of the definition thereof shall be deposited in the Debt Service Reserve Fund during each ensuing month (to the extent Pledged Revenues applied in accordance with Section 5.07 of the Master Indenture are sufficient therefor) until the amount on deposit with Debt Service Reserve Fund equals the amount required by such clause (a).

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 this 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 and notwithstanding any other provision thereof, transfer all or any moneys held in the Residual Fund or 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 thereunder 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 or 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 thereafter 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 thereunder 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 of 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 of 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 thereunder 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, have offered the Trustee indemnity satisfactory to it against its costs, expenses and liabilities reasonably anticipated to be incurred, 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 thereunder except in the manner therein provided and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided and for the equal benefit of the Owners of all Outstanding Bonds. Nothing contained therein 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 thereunder, 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 thereunder, 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 thereby 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 thereunder, 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 therein 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 thereunder or intended to be secured thereby, 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 thereunder 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 therein provided, 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) of 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 thereunder, 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 and offered indemnity satisfactory to it against expenses and liabilities reasonably anticipated to be incurred.

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 therein or to add to the limitations and restrictions therein, 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 therein;
- (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 or the provision of a Reserve Credit Facility in accordance with the Master Indenture;
- (j) to facilitate the receipt or use of Pledged Revenues 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 of this heading;
- (l) to make any amendment with Rating Confirmation from each Rating Agency then maintaining an uninsured, underlying rating on the Bonds, that such amendment will not, in itself, result in such uninsured, 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 Indenture shall cease to be Outstanding and (ii) such Supplemental Indenture 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 Indenture and of Bonds issued in exchange therefor or in place thereof;

(n) to modify the Debt Service Reserve Fund Requirement to zero, upon filing with the Trustee and each Rating Agency and provider of a Credit Facility of a certificate signed by the Issuer (and approved by the Director of RIDOT and the Director of the Department of Administration) demonstrating that the amount of Pledged Revenues for any three consecutive State Fiscal Years exceeds by at least two times (2x) the maximum amount of Bond Payments coming due in any State Fiscal Year during which Bonds will be Outstanding; or

(o) 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 under the previous heading, 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 therein; 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) of 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 thereunder 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 thereunder 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 therein 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 thereunder, 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 of this heading.

All or any portion of the Outstanding Bonds or Bond Payments shall be deemed to have been paid (referred to therein 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 heading 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 heading, (B) a verification report is delivered that complies with subsection (a)(iii) of this heading and (C) an opinion of Bond Counsel is delivered to the effect that such withdrawal or substitution complies with this heading 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 heading 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 Ambac Assurance Corporation (the “Insurer”) in connection with the Series 2003A Bonds, the Series 2003A Supplemental Indenture provides, among other things:

(a) For so long as the Insurer is not in default in any payment obligation under the Insurance Policy, the Insurer shall be deemed 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 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.

(b) Notwithstanding anything herein to the contrary, in the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Insured Bonds shall be paid by the Insurer pursuant to the provisions of the Insurance Policy, such Insured Bonds shall remain Outstanding for all purposes, not to be defeased or otherwise satisfied and not be considered paid by the Issuer, and all covenants, agreements and other obligations of the Issuer to the Owners of such Insured Bonds shall continue to exist and the Insurer shall be subrogated to the rights of such Owners.

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**APPENDIX C
PROPOSED FORM OF PAYMENT AGREEMENT**

Relating to Motor Fuel Tax Revenue 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 motor fuel tax revenue bonds or notes payable primarily from a portion of the Motor Fuel Tax (as defined herein) revenues pursuant to RIGL §31-36-20 (the “**Bonds**”); and

WHEREAS, certain Motor Fuel Tax revenues 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, pursuant to the provisions of RIGL §31-36-20 and subject to annual appropriation, \$0.02 per gallon of the Motor Fuel Tax (the “**Allocated Funds**”) will be utilized each year toward making the Bond Payments for so long as any Bonds remain Outstanding; and

WHEREAS, the Allocated Funds for the State Fiscal Year 2004 (as defined herein) have been appropriated by the State General Assembly for the making of Bond Payments; and

WHEREAS, in order to facilitate payment of the Allocated 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:

“*Allocated Funds*” shall have the meaning as ascribed to it in the Recitals.

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

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

“*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.

“*Motor Fuel Tax*” means the tax imposed under RIGL Chapter 36 of Title 31, the proceeds of which are held in the ISTF pursuant to RIGL §31-36-20.

“*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.

“*Tax Administrator*” means the Tax Administrator for the State.

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 in the Governor’s proposed budget of revenues and appropriations submitted to the General Assembly for the State Fiscal Year 2005, and for each State Fiscal Year thereafter during which any Bonds remain Outstanding, an amount equal to the DOT Request.

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. Collection by Tax Administrator. Commencing on the date hereof, and for so long as any of the Bonds remain Outstanding, the Tax Administrator shall on a monthly basis separate the Allocated Funds from the receipts of the Motor Fuel Tax and deposit such Allocated Funds in a discreet account within the ISTF for transfer to the Trustee upon direction from the State Controller, subject to adjustment as hereinafter permitted. Upon direction from the State Controller, the Tax Administrator further agrees to transfer to such discreet account the Allocated Funds received for the period July 1, 2003 to the end of the month immediately preceding the month in which this Payment Agreement is executed and delivered.

Section 5. Disbursements by State Controller. Beginning on the date hereof, and thereafter, for State Fiscal Year 2004 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 deposit of the Allocated Funds in the ISTF, monthly, the Tax Administrator shall submit a voucher (the “**Allocated Funds Voucher**”) to the State Controller requesting the payment of the Allocated Funds to the Trustee for deposit in the Bond Payment Fund. Upon receipt of the Allocated Funds Voucher and within seven (7) days, 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 set forth in the Allocated Funds Voucher. Upon receipt of each such 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 set forth in the Allocated Funds Voucher to the Trustee.

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 the bond proceeds of such series, after giving effect to payments already made with respect to any Project, and amounts remaining available for such Project 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 on information provided by the DOT shall allocate all costs of issuance and the proceeds used to fund the Debt Service Reserve Fund 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. Prohibition on Other Uses. It is hereby recognized and agreed by all the parties hereto that, subject to annual appropriation by the State General Assembly, the Allocated Funds shall not be diverted from transfer to the Trustee for deposit under the Master Trust Indenture, and shall not be available for use for any other State purposes, including inter-fund borrowing, except as provided in Section 8 or as may be permitted, following such transfer to the Trustee, by the Master Trust Indenture and State law.

Section 8. Authorized Adjustments. The provisions above notwithstanding, the State Controller is hereby authorized to direct the Treasurer to make periodic adjustments to collected Motor Fuel Tax Funds for refunds, clerical errors, interest or penalty payments or other items required by law or deemed necessary by the Tax Administrator prior to transfer of the Allocated Funds to the Trustee for inclusion in the Bond Payment Fund; provided, however, the State Controller shall only direct that such authorized adjustments be made to the extent they are required: (i) to correct over-deposits or under-deposits to the ISTF caused by clerical error; (ii) to process refunds of the Motor Fuel Tax revenues; (iii) to account for Motor Fuel Tax interest or penalty payments; and (iv) to account for such other items required by law or deemed necessary by the Tax Administrator.

Section 9. 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 10. 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 11. 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 12. Miscellaneous.

12.1. 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.

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

12.3. 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(b) of the Master Trust Indenture.

12.4. 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.

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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

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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 \$53,030,000 Rhode Island Motor Fuel Tax Revenue 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 State Fiscal Year, the type of financial information set forth under the heading "State Motor Fuel Tax" 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.

"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@dpcdata.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 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 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, 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.

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Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



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