

NEW ISSUE – BOOK-ENTRY ONLY

Ratings: see “RATINGS” herein

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Virgin Islands Public Finance Authority (the “Authority”), under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note – Cruzan Project), Series 2009A (the “Series 2009A 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 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2009A Bonds is exempt from personal income tax imposed by the United States Virgin Islands, or by any state, territory, or possession or by any political subdivision thereof or by the District of Columbia. See “TAX MATTERS.”



\$39,190,000
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Subordinated Revenue Bonds
(Virgin Islands Matching Fund Loan Note – Cruzan Project)
Series 2009A

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

The Series 2009A Bonds will bear interest at a fixed rate as described herein and are issuable initially in minimum denominations of \$5,000 and integral multiples of \$5,000 in excess thereof and will be issued initially as a single registered bond for each maturity registered in the name of Cede & Co., the nominee of The Depository Trust Company (“DTC”), New York, New York. Beneficial ownership interests in the Series 2009A Bonds will be available for purchase in book-entry form only. Except in limited circumstances, purchasers of the Series 2009A Bonds will not receive physical delivery of the Series 2009A Bond certificates, as further described herein. Principal of, Redemption Price, if applicable, of, and interest on the Series 2009A Bonds will be paid by the Paying Agent to DTC, who will remit payment to DTC Participants, with such payments to be subsequently disbursed to the beneficial owners of the Series 2009A Bonds, as further described herein. The Series 2009A Bonds will be subject to redemption prior to maturity as described herein. The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), located in Jacksonville, Florida, is the Trustee with respect to the Series 2009A Bonds. Interest on the Series 2009A Bonds will be payable semiannually on April 1 and October 1, commencing April 1, 2010. See “THE SERIES 2009A BONDS.”

The Series 2009A Bonds are being issued by the Authority to (i) make a loan to the Government of the Virgin Islands (the “Government”) to provide a grant to Cruzan VIRIL, Ltd. (“Cruzan”) to finance the costs of the development, acquisition, construction and installation of a wastewater treatment facility and to fund certain preliminary costs of the alteration, upgrade, expansion and renovation of the Cruzan distillery, (ii) fund the Series 2009A Senior Lien Debt Service Reserve Subaccount in an amount necessary to meet the Series 2009A Debt Service Reserve Requirement and (iii) pay the costs of issuing the Series 2009A Bonds. See “SOURCES AND USES OF FUNDS.”

The Series 2009A Bonds will be issued under and secured by the Subordinated Indenture of Trust, dated as of December 1, 2009, as supplemented by the First Supplemental Subordinated Indenture of Trust, dated as of December 1, 2009 (collectively, the “Subordinated Indenture”), each by and between the Authority and the Trustee. The Trustee will act as Registrar and Paying Agent for the Series 2009A Bonds. The Series 2009A Bonds will be secured by a special limited obligation Series 2009A Subordinated Matching Fund Loan Note (the “Series 2009A Loan Note”), issued by the Government pursuant to the Loan Agreement, dated as of December 1, 2009, by and among the Authority, the Trustee and the Government (the “Series 2009A Loan Agreement”).

THE SERIES 2009A BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY PAYABLE FROM AND SECURED BY A PLEDGE OF THE CRUZAN TRUST ESTATE WHICH INCLUDES CERTAIN FUNDS ESTABLISHED UNDER THE SUBORDINATED INDENTURE, INCLUDING THE SUBORDINATED PLEDGED REVENUE ACCOUNT AND THE SERIES 2009A SENIOR LIEN DEBT SERVICE RESERVE SUBACCOUNT. THE SERIES 2009A LOAN NOTE IS A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENT AND IS SOLELY SECURED BY A PLEDGE OF REVENUES RECEIVED BY THE GOVERNMENT FROM THE UNITED STATES DEPARTMENT OF THE TREASURY (THE “CRUZAN MATCHING FUND REVENUES”) AS A TRANSFER OF FEDERAL EXCISE TAXES IMPOSED AND COLLECTED UNDER THE CODE IN ANY FISCAL YEAR ON RUM THAT IS PRODUCED BY CRUZAN IN THE UNITED STATES VIRGIN ISLANDS AND EXPORTED TO THE UNITED STATES AND THAT IS SUBJECT TO A FEDERAL EXCISE TAX THAT QUALIFIES FOR TRANSFER TO THE GOVERNMENT. THE SERIES 2009A BONDS ARE BEING ISSUED ON A SUBORDINATED BASIS TO CERTAIN OUTSTANDING SENIOR BONDS AND ANY ADDITIONAL BONDS (AS SUCH TERMS ARE DEFINED HEREIN) HEREAFTER ISSUED PURSUANT TO THE INDENTURE OF TRUST, DATED AS OF MAY 1, 1998, AS PREVIOUSLY SUPPLEMENTED (THE “SENIOR INDENTURE”), BY AND BETWEEN THE AUTHORITY AND THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., AS SUCCESSOR TRUSTEE. SEE “MATCHING FUND REVENUES.”

The Series 2009A Bonds shall under no circumstances constitute a general obligation of the Authority, the United States Virgin Islands or the United States of America or an obligation of Cruzan nor shall the Series 2009A Bonds be evidence of a debt of the United States of America, the United States Virgin Islands or Cruzan nor shall the United States of America, the United States Virgin Islands or Cruzan be liable thereon. The taxing power of the Government is not pledged for the Series 2009A Loan Note or the Series 2009A Bonds. The Authority has no taxing power.

THE PURCHASE AND OWNERSHIP OF THE SERIES 2009A BONDS INVOLVES CERTAIN INVESTMENT RISKS. SEE “CERTAIN BONDHOLDER RISKS.” INFORMATION CONTAINED ON THIS COVER IS A SUMMARY ONLY. PROSPECTIVE PURCHASERS OF THE SERIES 2009A BONDS ARE ADVISED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY.

The Series 2009A Bonds are offered subject to prior sale, when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Birch, deJongh & Hindels PLLC, St. Thomas, Virgin Islands, for Cruzan by its General Counsel, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Washington, D.C. It is expected that the Series 2009A Bonds will be available for delivery to DTC in New York, New York on or about December 17, 2009.

Citi

J.P. Morgan

Jefferies & Company

Rice Financial Products Company

MATURITY SCHEDULE

\$39,190,000
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Subordinated Revenue Bonds
(Virgin Islands Matching Fund Loan Note – Cruzan Project)
Series 2009A

\$6,660,000 Serial Bonds

Maturity Date	Principal Amount	Interest Rate	Yield	CUSIP [†]
10/1/2010	\$550,000	3.000%	2.260%	927676QH2
10/1/2011	565,000	3.000	2.750	927676QJ8
10/1/2012	585,000	3.000	3.090	927676QK5
10/1/2013	605,000	5.000	3.450	927676QL3
10/1/2014	640,000	5.000	3.870	927676QM1
10/1/2015	670,000	5.000	4.250	927676QN9
10/1/2016	705,000	5.000	4.540	927676QP4
10/1/2017	740,000	5.000	4.820	927676QQ2
10/1/2018	780,000	5.000	5.020	927676QR0
10/1/2019	820,000	5.125	5.200	927676QS8

\$32,530,000 6.00% Term Bonds due October 1, 2039, priced to yield 6.00%, CUSIP: 927676QT6[†]

[†] The CUSIP numbers for the Series 2009A Bonds are provided by Standard & Poor's CUSIP Service Bureau, a division of McGraw-Hill Companies, Inc., and are set forth herein for convenience of reference only. The Authority assumes no responsibility for the accuracy of such numbers, nor is any representation made as to their correctness on the Series 2009A Bonds or as indicated above.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

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St. Thomas, United States Virgin Islands 00802
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Julito A. Francis, Director of Finance and Administration

BOARD OF DIRECTORS*

The Honorable John P. deJongh, Jr., Governor – Chairman
Angel E. Dawson, Jr., Commissioner of Finance – Executive Director
Debra E. Gottlieb, Director of the Office of Management and Budget – Secretary
Roy D. Jackson – St. Thomas/St. John Representative
Pablo O’Neill – St. Croix Representative
Keith C. O’Neale, Jr. – St. Croix Representative

TRUSTEE, BOND REGISTRAR AND PAYING AGENT

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Jacksonville, Florida

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New York, New York

FINANCIAL ADVISOR

Fiscal Strategies Group
Swarthmore, Pennsylvania

* Currently there is one vacancy on the Board.

This Official Statement is furnished in connection with the sale of the Series 2009A Bonds and may not be reproduced or be used, in whole or in part, for any other purpose. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement, including the Appendices attached hereto, nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Authority, the Government or the other matters described herein since the date hereof or that the information herein is correct as of any time subsequent to its date.

No dealer, salesman or any other person has been authorized by the Authority, the Government or the Underwriters to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described herein and, if given, or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Government or the Underwriters. This Official Statement does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of any offer to buy, nor shall there be any sale of the Series 2009A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information contained in this Official Statement has been obtained from the Authority, the Government, Cruzan, Diageo USVI, Inc. ("Diageo USVI"), IHS Global Insight (USA), Inc. ("Global Insight") and other sources which are believed to be reliable, based primarily on a review of such information and discussions with the Government, the Authority, Cruzan, Diageo USVI and Global Insight. 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 a part of, their responsibility to investors under 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 SERIES 2009A BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: www.munios.com. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2009A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2009A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND OTHERS AT PRICES LOWER OR YIELDS HIGHER THAN THE PUBLIC OFFERING PRICES OR YIELDS STATED ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES OR YIELDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

\$39,190,000
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Subordinated Revenue Bonds
(Virgin Islands Matching Fund Loan Note – Cruzan Project)
Series 2009A

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, the inside cover page and the appendices, is to furnish certain information concerning the Virgin Islands Public Finance Authority (the “Authority”) and the sale and delivery of its Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note – Cruzan Project), Series 2009A, in the aggregate principal amount of \$39,190,000 (the “Series 2009A Bonds”).

The Series 2009A Bonds are being issued pursuant to the Subordinated Indenture of Trust, dated as of December 1, 2009 (the “Subordinated Indenture of Trust”), as supplemented by the First Supplemental Subordinated Indenture of Trust, dated as of December 1, 2009 (the “First Supplemental Subordinated Indenture” and, together with the Subordinated Indenture of Trust, the “Subordinated Indenture”), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as trustee (the “Trustee”), and the Loan Agreement, dated as of December 1, 2009 (the “Series 2009A Loan Agreement”), by and among the Government (the “Government”) of the United States Virgin Islands (the “Virgin Islands”), the Trustee and the Authority.

The Series 2009A Bonds are being issued pursuant to the Virgin Islands Revised Organic Act of 1954, as amended (48 U.S.C. Section 1574 et seq.) (West 1987) (the “Revised Organic Act”), the laws of the Virgin Islands, including Title 29, Chapter 15, of the Virgin Islands Code, 1988 Virgin Islands Act 5365 and 2009 Virgin Islands Act 7127 (together with the Revised Organic Act, the “Act”) and other applicable law. All capitalized terms not defined in this Official Statement have the meanings ascribed to them in APPENDIX A - “GLOSSARY OF CERTAIN DEFINED TERMS.”

Use of Proceeds

The Authority will use the proceeds of the Series 2009A Bonds to (i) make a loan to the Government pursuant to the Series 2009A Loan Agreement, (ii) fund the Series 2009A Senior Lien Debt Service Reserve Subaccount in an amount necessary to meet the Series 2009A Debt Service Reserve Requirement and (iii) pay the costs of issuing the Series 2009A Bonds. See “SOURCES AND USES OF FUNDS.”

The Government will use the proceeds of the loan to provide a grant to Cruzan VIRIL, Ltd. (“Cruzan”) to finance the costs of the development, acquisition, construction and installation of a wastewater treatment facility to be located on St. Croix (the “Cruzan Wastewater Treatment Project”) and to fund certain preliminary costs of the alteration, upgrade, expansion and renovation of the Cruzan distillery (the “Cruzan Expansion Project”), in accordance with an Agreement dated October 6, 2009, entered into by and between the Government and Cruzan, and ratified by the Legislature of the Virgin Islands on October 27, 2009 (the “Cruzan Agreement”), a copy of which is attached hereto as APPENDIX E.

Pursuant to the Cruzan Agreement, the Government has agreed to provide certain economic development incentives to Cruzan, including the grant to finance the costs of the Cruzan Wastewater Treatment Project and the Cruzan Expansion Project (collectively, the “Cruzan Project”). In exchange for those incentives, Cruzan has agreed, subject to certain conditions, to undertake the Cruzan Project and to distill at the Cruzan Facility all Bulk Rum, Branded Rum and Ronrico Rum (as such terms are defined in the Cruzan Agreement) for sale into the United States for the term of the Cruzan Agreement. See “THE CRUZAN AGREEMENT.”

The grant to Cruzan will be funded from proceeds of the Series 2009A Bonds loaned by the Authority to the Government pursuant to the Series 2009A Loan Agreement. See “– Security and Source of Payment” below. Pursuant to 2009 Virgin Islands Act 7127, the Authority is authorized to issue one or more series of bonds in a principal amount not to exceed \$105,000,000, of which \$30,000,000 can be used for the costs of the Cruzan Wastewater Treatment Project and \$75,000,000 for the costs of the Cruzan Expansion Project.

Security and Source of Payment

The Series 2009A Bonds, together with any Additional Bonds (as defined herein) hereafter issued under the Subordinated Indenture, are payable and secured by a pledge of the Cruzan Trust Estate (as defined herein), which includes certain funds established under the Subordinated Indenture and the Virgin Islands Matching Fund Loan Note, Series 2009A (the “Series 2009A Loan Note”), to be issued by the Government to evidence its obligation to repay the loan to the Authority made pursuant to the Series 2009A Loan Agreement. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS.”

The Series 2009A Loan Note is secured by the pledge and assignment of federal excise taxes collected on rum produced by Cruzan in the Virgin Islands and exported to the United States (the “Cruzan Matching Fund Revenues”). See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS.” The pledge of and lien on Cruzan Matching Fund Revenues to pay the Series 2009A Bonds is subordinated to the lien and pledge of such revenues to pay debt service on certain senior lien bonds (the “Senior Indenture Senior Lien Bonds”) and certain subordinate lien bonds (the “Senior Indenture Subordinate Lien Bonds” and, together with the Senior Indenture Senior Lien Bonds, the “Senior Bonds”) issued by the Authority pursuant to an Indenture of Trust, dated as of May 1, 1998, by and between the Authority, The Bank of New York Mellon Trust Company, N.A., as successor trustee (the “Senior Trustee”), as previously amended and supplemented (the “Senior Indenture”), and any additional bonds to be issued under the Senior Indenture. See “VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY – Outstanding Indebtedness of the Authority – Senior Bonds.”

To secure its obligation to pay debt service on the Senior Bonds, the Government issued certain loan notes (the “Senior Matching Fund Loan Notes”) secured by Matching Fund Revenues (as defined below), which revenues include the Cruzan Matching Fund Revenues for all purposes except that the Senior Indenture will be amended and supplemented pursuant to the Fifth Supplemental Indenture of Trust, dated as of December 1, 2009, by and between the Authority and the Trustee (the “Fifth Supplemental Indenture”), to exclude a portion of such Cruzan Matching Fund Revenues for purposes of calculating the coverages required to satisfy the Additional Bonds Test (as defined herein) under the Senior Indenture. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS – Amendment of Senior Indenture.” As of December 1, 2009, \$537,700,000 of the Senior Bonds were outstanding.

Matching Fund Revenues attributed to the excise taxes imposed and collected on rum produced by Diageo USVI Inc. (“Diageo USVI”) (“Diageo Matching Fund Revenues”) are not available to pay debt

service on the Series 2009A Bonds. See “SECURITY AND SOURCE OF PAYMENT OF THE SERIES 2009A BONDS” and “MATCHING FUND REVENUES.”

Matching Fund Revenues

Matching Fund Revenues are those revenues received by the Government from the United States Department of the Treasury (the “Treasury”), through the Secretary of the Interior, as a transfer of federal excise taxes imposed and collected under the Internal Revenue Code of 1986, as amended (the “Code”), in any fiscal year, which commences on October 1 of each year (the “Fiscal Year”), on any product produced in the Virgin Islands and exported to the United States that is subject to federal excise tax which qualifies for transfer to the Government (the “Matching Fund Revenues”). Rum is the principal article presently produced in the Virgin Islands and exported to the United States that is subject to federal excise tax that qualifies for transfer to the Government under the applicable provisions of the Revised Organic Act and the Code. In accordance with federal law, Matching Fund Revenues have been transferred to the Government every year since 1954. See “MATCHING FUND REVENUES” and “THE RUM INDUSTRY.”

Certain Bondholder Risks

THE PURCHASE AND OWNERSHIP OF THE SERIES 2009A BONDS INVOLVE INVESTMENT RISKS. PROSPECTIVE PURCHASERS OF THE SERIES 2009A BONDS ARE ADVISED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY. FOR A DISCUSSION OF CERTAIN BONDHOLDER RISKS RELATING TO THE SERIES 2009A BONDS, SEE “CERTAIN BONDHOLDER RISKS” HEREIN.

Changes from the Preliminary Official Statement

This Official Statement includes certain information that was not available for inclusion in the Preliminary Official Statement dated December 1, 2009, including the amounts, maturities, interest rates, prices, yields and other terms of the Series 2009A Bonds, sources and uses of the proceeds of the Series 2009A Bonds and information regarding the Series 2009A Debt Service Reserve Requirement. Purchasers of the Series 2009A Bonds should read this Official Statement in its entirety.

Miscellaneous

This Official Statement describes, among other items, the Subordinated Indenture, the Series 2009A Bonds, the Series 2009A Loan Agreement, the Series 2009A Loan Note, the Special Escrow Agreement, the Cruzan Agreement, the Cruzan Special Escrow Agreement (as defined herein), the Cruzan Project Implementation Agreement (as defined herein) and the Diageo Agreement. It also describes an amendment to the Senior Indenture. Such descriptions do not purport to be comprehensive or definitive and reference is made to the respective agreements for full and complete statements of the provisions thereof. Copies of these agreements are available at the offices of the Trustee, 10161 Centurion Parkway, Jacksonville, Florida 32256 (904-645-1912), and at the offices of the Authority, 32-33 Kongens Gade, Charlotte Amalie, St. Thomas, United States Virgin Islands 00802 (340-714-1635); Attention: Director of Finance and Administration.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

Purposes and Powers

The Authority was created in 1988 by Virgin Islands Act 5365 of the Legislature, as amended, as a public corporation and autonomous governmental instrumentality for the purposes of aiding the Government in the performance of its fiscal duties and in effectively carrying out its governmental responsibility of raising capital for essential public projects. Under its enabling legislation, the Authority is vested with, but not limited to, the powers to: (i) have perpetual existence as a corporation; (ii) borrow money and issue bonds; (iii) lend the proceeds of its bonds or other money to the Government or any agency, authority or instrumentality thereof or private enterprise in the Virgin Islands subject to the approval of the Legislature; (iv) establish one or more revolving loan funds with the proceeds of bonds issued by the Authority or issued by the Government or any agency, authority or instrumentality thereof; (v) encourage economic development through the issuance of special obligations issued to finance projects for the benefit of private parties which special obligations are payable out of revenue generated by such projects and are payable to the Authority by said private party; (vi) invest its funds and to arrange for the investment of the funds of the Government or any agency, authority or instrumentality thereof; (vii) enter into contracts and agreements with the government of the United States, the Government and any agency, authority or political subdivision thereof; (viii) make, modify and repeal by-laws, rules and regulations; (ix) acquire, sell, lease, mortgage, pledge, dispose of or encumber property or interests therein; and (x) sue and be sued.

Management

The powers of the Authority are exercised by a board of directors (the “Board of Directors”) consisting of seven members. The Governor, the Commissioner of Finance and the Director of the Office of Management and Budget of the Virgin Islands are members and serve ex-officio. The remaining members are appointed by the Governor with the advice and consent of the Legislature and represent the private sector. Of these remaining members, two must be residents of the District of St. Thomas/St. John and two must be residents of the District of St. Croix. These individuals must be experienced in the area of municipal finance. The Governor serves as Chairman of the Board of Directors, the Commissioner of Finance serves as the Authority’s Executive Director and the Director of the Office of Management and Budget serves as Secretary to the Authority.

The following is a list of the current Board of Directors with their official posts or, for private sector representatives, their island of residency, and date of expiration of their current terms on the Board of Directors. The Governor of the Virgin Islands, the Commissioner of Finance and the Director of the Office of Management and Budget serve terms that are coterminous with their terms in such offices. The Directors who represent the private sector serve four-year terms. Currently, there is one vacancy on the Board of Directors.

Name	Government Post or Profession/Residency	Term Expiration
The Honorable John P. deJongh, Jr., Chairman	Governor of the Virgin Islands	Ex-officio
Angel E. Dawson, Jr.	Commissioner of Finance	Ex-officio
Debra E. Gottlieb	Director of the Office of Management and Budget	Ex-officio
Roy D. Jackson	Certified Public Accountant, St. Thomas	2001 [†]
Pablo O’Neill	Certified Public Accountant, St. Croix	2013
Keith C. O’Neale, Jr.	Business Owner, St. Croix	2013

[†] Members serve until the appointment and confirmation of a successor.

Julito A. Francis serves as the Director of Finance and Administration, which is the senior management position of the Authority, and is responsible for the administration and operation of the Authority. The Director of Finance and Administration is appointed by, and serves at the pleasure of, the Board of Directors.

Outstanding Indebtedness of the Authority

Senior Bonds

The Authority has issued and there currently are outstanding under the Senior Indenture the following Senior Bonds, which are secured by and payable from Matching Fund Revenues: (i) Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2004A, in the principal amount of \$94,000,000 (the “Series 2004A Senior Bonds”); and (ii) Revenue and Refunding Bonds (Virgin Islands Matching Fund Loan Notes) consisting of the Series 2009A-1 Bonds (Senior Lien/Capital Projects/Tax-Exempt) in the principal amount of \$86,350,000 (the “Series 2009A-1 Senior Bonds”), the Series 2009A-2 Bonds (Senior Lien/Capital Projects/Federally Taxable) in the principal amount of \$8,650,000 (the “Series 2009A-2 Senior Bonds”), the Series 2009B Bonds (Senior Lien/Refunding) in the principal amount of \$266,330,000 (the “Series 2009B Senior Bonds”) and the Series 2009C Bonds (Subordinate Lien/Refunding) in the principal amount of \$97,510,000 (the “Series 2009C Subordinate Bonds”). As of December 1, 2009, \$537,700,000 of the Senior Bonds were outstanding. Such Senior Bonds have a lien on Matching Fund Revenues, including the Cruzan Matching Fund Revenues and the Diageo Matching Fund Revenues, that is superior to the lien securing all Bonds issued pursuant to the Subordinated Indenture. The Authority plans to issue additional Senior Bonds to provide funds to pay the cost of certain capital projects and/or working capital expenditures of the Government.

Subordinated Diageo Matching Fund Revenue Bonds

In July 2009, the Authority issued its Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note – Diageo Project), Series 2009A, in the principal amount of \$250,000,000 (the “Diageo Matching Fund Revenue Bonds”). The Diageo Matching Fund Revenue Bonds are special limited obligations of the Authority payable from and secured by a pledge of only that portion of Matching Fund Revenues collected on rum produced by Diageo USVI (the “Diageo Matching Fund Revenues”). The Diageo Matching Fund Revenue Bonds were issued on a subordinated basis to the Senior Bonds that are issued pursuant to the Senior Indenture. Diageo Matching Fund Revenues are not available to pay debt service on the Series 2009A Bonds. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS – Diageo Matching Fund Revenues.”

Separately Secured Bonds and Obligations

The Authority also has issued the following series of bonds, none of which are secured by Matching Fund Revenues.

Gross Receipts Taxes Bonds and Notes. The Authority has issued, and there are outstanding, revenue bonds secured by and payable from Gross Receipts Taxes, including Revenue Bonds (Virgin Islands Gross Receipts Taxes Loan Note), Series 1999A, in the principal amount of \$299,880,000, Revenue Bonds (Virgin Islands Gross Receipts Taxes Loan Note), Series 2003A, in the principal amount of \$268,020,000 and Revenue Bonds (Virgin Islands Gross Receipts Taxes Loan Note), Series 2006, in the principal amount of \$219,490,000 (collectively, the “Gross Receipts Taxes Bonds”).

In addition, the Authority has issued, and there are outstanding, Subordinate Lien Revenue Notes (Virgin Island Gross Receipts Taxes Loan Note), Series 2008A, in the principal amount of \$7,650,000,

and Subordinate Lien Revenue Bond Anticipation Notes (Virgin Islands Gross Receipts Taxes Loan Note), Series 2009A, in the principal amount of \$8,000,000. The Authority also has authorized the issuance of up to \$250,000,000 Subordinate Lien Revenue Bond Anticipation Notes (Virgin Island Gross Receipts Taxes Loan Notes), Series 2009B, dated as of September 2, 2009, and effective as of September 18, 2009 (the “Series 2009B Notes” and, together with the above-listed Gross Receipts Taxes Loan Notes, the “Gross Receipts Taxes Notes”). The Authority has authorized the issuance of the Series 2009B Notes pursuant to the terms of a syndicated non-revolving credit facility of which FirstBank Puerto Rico (“FirstBank”), as the agent lender, agreed to loan up to \$150,000,000 and Banco Popular de Puerto Rico (“Banco Popular”), as the syndicate lender, agreed to loan up to \$100,000,000 (collectively, the “Credit Facility”). The Credit Facility is to be used for working capital needs and other governmental obligations including payroll, vendor and short-term obligations of the Government. The payment of the principal due on the Series 2009B Notes is expected to be paid from proceeds of Gross Receipts Taxes Bonds, when and if issued, or from surplus Matching Fund Revenues available to the Government. The Authority made its first draw of \$100,000,000 under the Credit Facility on September 22, 2009, and its second draw of \$25,000,000 on December 8, 2009.

The Gross Receipts Taxes Bonds and the Gross Receipts Taxes Notes were issued pursuant to and secured under an Indenture of Trust, dated as of November 1, 1999, by and between the Authority and The Bank of New York Mellon Trust Company, N.A, as successor trustee, as previously supplemented and amended (the “Gross Receipts Taxes Indenture”). Each Series of the Gross Receipts Taxes Bonds and the Gross Receipts Taxes Notes is secured, on a parity basis, by the Gross Receipts Taxes Loan Notes issued by the Government, which are payable primarily from Gross Receipts Taxes imposed and collected by the Government from individuals and entities doing business in the Virgin Islands. The Gross Receipts Taxes Loan Notes constitute general obligations of the Government secured by the full faith and taxing power of the Government. The Gross Receipts Taxes Notes and the security pledged therefor are subject and subordinate to the prior payment of the Gross Receipts Taxes Bonds. The Authority plans to issue additional bonds under the Gross Receipts Taxes Indenture to provide funds to pay the cost of certain capital projects and/or working capital expenditures of the Government. As of December 1, 2009, \$556,115,000 principal amount of the Gross Receipts Taxes Bonds and \$112,377,192 principal amount of the Gross Receipts Taxes Notes were outstanding.

HOVENSA Bonds. The Authority has issued multiple series of 30-year private activity bonds in the aggregate principal amount of \$355,683,000 on behalf of HOVENSA, SA (“HOVENSA”), an oil refinery located on the island of St. Croix (the “HOVENSA Bonds”). HOVENSA is solely responsible for the payment of debt service on the HOVENSA Bonds. As of December 1, 2009, \$355,683,000 of the HOVENSA Bonds were outstanding.

WICO Guaranty. On November 20, 2002, the Authority executed an Unlimited Continuing Guaranty in favor of Banco Popular pursuant to which the Authority agreed to unconditionally guarantee any and all indebtedness of The West Indian Company Limited (“WICO”), a wholly owned subsidiary of the Authority, to Banco Popular. As used in the Unlimited Continuing Guaranty, the term indebtedness includes, but is not limited to, the \$23,600,000 loan from Banco Popular to WICO, which loan represents a consolidation of prior indebtedness of both the Authority and WICO to Banco Popular and any modifications, amendments or refinancings thereof. The WICO Guaranty constitutes a direct and general obligation of the Authority. As of December 1, 2009, outstanding principal and interest on the underlying indebtedness guaranteed by the Authority pursuant to the Unlimited Continuing Guaranty aggregated \$23,050,704.91.

For a listing of the Authority’s bonds and similar obligations outstanding as of December 1, 2009, see APPENDIX D—“Information Regarding the United States Virgin Islands—Outstanding Indebtedness of the Government.”

THE SERIES 2009A BONDS

General

The Series 2009A Bonds will be dated their date of delivery, and will bear interest at the rates and will mature on the dates set forth on the inside cover of this Official Statement. Interest on the Series 2009A Bonds will be payable on April 1 and October 1, commencing on April 1, 2010. The Series 2009A Bonds are subject to redemption at the times and in the manner set forth in “THE SERIES 2009A BONDS - Redemption.” Pursuant to the Subordinated Indenture, the Authority has appointed the Trustee as the Paying Agent and Registrar. Interest on the Series 2009A Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months and will be payable to Cede & Co., or such other owner of record as shown in the registration books of the Authority maintained by the Paying Agent as Registrar. The Series 2009A Bonds will be available initially in minimum denominations of \$5,000 and integral multiples of \$5,000 in excess thereof, in book-entry only form as described below. If the Authority in the future obtains a policy of municipal bond insurance with respect to the Series 2009A Bonds or an investment grade rating from one or more Rating Agencies on the Series 2009A Bonds, the Subordinated Indenture provides that such bonds may be re-offered in minimum denominations of \$5,000 and integral multiples in excess thereof.

Authorization and Purpose

The Series 2009A Bonds will be issued pursuant to, and secured by, the Subordinated Indenture and pursuant to Virgin Islands law. Proceeds of the Series 2009A Bonds will be used to (i) make a loan to the Government to provide a grant to Cruzan to finance the Cruzan Wastewater Treatment Project and fund the preliminary costs of the Cruzan Expansion Project, (ii) make a deposit to the Series 2009A Senior Lien Debt Service Reserve Subaccount in an amount necessary to meet the Series 2009A Debt Service Reserve Requirement and (iii) pay the costs of issuing the Series 2009A Bonds.

Senior/Second Lien Structure

The Subordinated Indenture pursuant to which the Series 2009A Bonds are being issued provides that bonds may be issued on a senior basis (the “Senior Lien Bonds”) or on a second lien basis (the “Second Lien Bonds”) pursuant to a Supplemental Subordinated Indenture. See APPENDIX B – “Summary of Certain Provisions of the Subordinated Indenture, the First Supplemental Subordinated Indenture and the Cruzan Special Escrow Agreement.” The Series 2009A Bonds are Senior Lien Bonds under the Subordinated Indenture and the First Supplemental Subordinated Indenture.

Book-Entry Only System

The Depository Trust Company (“DTC”) will act as securities depository for the Series 2009A 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 Series 2009A Bonds, and will be deposited with DTC. For more information regarding the book-entry only system, see APPENDIX J – “DTC Book-Entry Only System.”

Redemption

Optional Redemption. The Series 2009A Bonds shall be subject to redemption at the option of the Authority prior to their stated maturities, on or after October 1, 2019, in whole or in part, at any time in such order of maturity as the Authority shall determine, and otherwise by lot within a maturity, from any funds available therefor, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued on the principal amount redeemed to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Series 2009A Bonds in the principal amount of \$32,530,000 maturing on October 1, 2039, are required to be redeemed prior to maturity in part in accordance with the sinking fund requirements of the Subordinated Indenture upon payment of 100% of the principal amount thereof, together with interest accrued to the redemption date on October 1 in the years and amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2020	\$ 865,000	2030	\$1,580,000
2021	920,000	2031	1,680,000
2022	975,000	2032	1,780,000
2023	1,040,000	2033	1,890,000
2024	1,100,000	2034	2,010,000
2025	1,170,000	2035	2,130,000
2026	1,245,000	2036	2,265,000
2027	1,320,000	2037	2,405,000
2028	1,400,000	2038	2,555,000
2029	1,490,000	2039	2,710,000*

* Final Maturity

Selection; Notice of Redemption

In the event of any redemption of less than all of any Series 2009A Bonds, portions of a maturity to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, however, that the portion of any of the Series 2009A Bonds of a denomination greater than \$5,000 to be redeemed shall be in the principal amount of \$5,000, or an integral multiple of \$5,000 in excess thereof. In selecting portions of such Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000; provided, however, notwithstanding the foregoing, the Trustee shall revise the Bonds or portions thereof to be redeemed as determined by the foregoing, in any manner deemed by the Trustee in its sole judgment to be fair and reasonable, so that no Bond Outstanding following any redemption shall be in a principal amount less than an authorized denomination therefor. Notice of any such redemption will be mailed by the Trustee not more than 60 nor less than 30 days prior to the date fixed for the redemption thereof, to each registered holder of the Series 2009A Bonds selected for redemption. The Authority, so long as a book-entry only method is used for the Series 2009A Bonds, will send any such notice of redemption only to DTC.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS

General

The Series 2009A Bonds are payable from, and secured by, a pledge of the Cruzan Trust Estate which includes certain funds and accounts established under the Subordinated Indenture and the Series 2009A Loan Note. Payment of the Series 2009A Bonds is subordinate to the payment of the Senior Bonds and any additional bonds issued under the Senior Indenture.

The Series 2009A Loan Note is a special limited obligation of the Government, secured solely by a pledge and assignment of the Cruzan Matching Fund Revenues. The Series 2009A Loan Note is secured by a pledge and assignment of Cruzan Matching Fund Revenues on a parity basis with any Matching Fund Loan Notes securing any Additional Bonds issued under the Subordinated Indenture.

Series 2009A Bonds

The Series 2009A Bonds are payable from and secured by a pledge of the Cruzan Trust Estate which includes: (i) all amounts deposited or required to be deposited in the Cruzan Pledged Revenue Account, the Series 2009A Senior Lien Debt Service Subaccount and the Series 2009A Senior Lien Debt Service Reserve Subaccount created under the Subordinated Indenture; (ii) the Series 2009A Loan Note, and the proceeds and collections therefrom; (iii) all of the Authority's right and title to, and interest in the Series 2009A Loan Agreement; (iv) all of the Authority's right and title to, and interest in, the Cruzan Matching Fund Revenues; (v) all of the Authority's right and title to, and interest in, the proceeds from the sale of Series 2009A Bonds required to be deposited in the Series 2009A Construction Subaccount pursuant to the provisions of the Subordinated Indenture (except as limited below) and all right and title to, and interest in, the investments held in the Series 2009A Construction Subaccount (except as limited in the Subordinated Indenture) pursuant to the provisions of the Subordinated Indenture; and (vi) any and all other property or security interest therein, of every name and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, conveyed, transferred, mortgaged, pledged and assigned as and for additional security under the Subordinated Indenture.

THE SUBORDINATED INDENTURE PERMITS THE ISSUANCE OF ADDITIONAL BONDS ON A PARITY WITH OR SUBORDINATE TO THE SERIES 2009A BONDS. THE SERIES 2009A BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE AUTHORITY. PRINCIPAL, PREMIUM, IF ANY AND INTEREST ON THE SERIES 2009A BONDS ARE PAYABLE SOLELY FROM THE PROCEEDS OF REPAYMENT OF THE SERIES 2009A LOAN NOTE AND OTHER AMOUNTS PLEDGED PURSUANT TO THE SUBORDINATED INDENTURE AS DESCRIBED HEREIN.

THE SERIES 2009A BONDS DO NOT CONSTITUTE A GENERAL OBLIGATION OF THE AUTHORITY, THE GOVERNMENT OR THE UNITED STATES OF AMERICA OR AN OBLIGATION OF CRUZAN. THE AUTHORITY HAS NO TAXING POWER. THE CRUZAN MATCHING FUND REVENUES PLEDGED TO PAY DEBT SERVICE ON THE SERIES 2009A BONDS ARE DERIVED FROM THE SERIES 2009A LOAN NOTE WHICH IS A SPECIAL LIMITED OBLIGATION OF THE GOVERNMENT. THE TAXING POWER OF THE GOVERNMENT IS NOT PLEDGED FOR THE SERIES 2009A LOAN NOTE OR THE SERIES 2009A BONDS. THE SERIES 2009A LOAN NOTE IS SECURED SOLELY BY A PLEDGE OF THE CRUZAN MATCHING FUND REVENUES. SUCH PLEDGE OF THE CRUZAN MATCHING FUND REVENUES TO THE SERIES 2009A LOAN NOTE IS SUBJECT TO A PRIOR PLEDGE TO SECURE THE SENIOR BONDS. THE SERIES 2009A LOAN NOTE DOES NOT CONSTITUTE A GENERAL OBLIGATION OF THE

UNITED STATES OF AMERICA, NOR SHALL THE UNITED STATES OF AMERICA BE LIABLE THEREON.

Series 2009A Loan Note

The Series 2009A Bonds will be secured by the Series 2009A Loan Note issued by the Government pursuant to the Series 2009A Loan Agreement. The Government will be obligated under the Series 2009A Loan Note to make payments to the Authority solely from the Cruzan Matching Fund Revenues in amounts sufficient to pay all principal, premium, if any, and interest on the Series 2009A Bonds when due and to make the amount on deposit in the Series 2009A Senior Lien Debt Service Reserve Subaccount equal to the Series 2009A Debt Service Reserve Requirement pursuant to the terms of the Subordinated Indenture.

The Series 2009A Loan Note shall bear interest from the issue date, payable semi-annually, with principal payable annually upon receipt of the Cruzan Matching Fund Revenues from the Cruzan Special Escrow Agent, but in no event later than the second Business Day preceding April 1 and October 1 of each year, commencing the second Business Day next preceding April 1, 2010, and ending on the second Business Day next preceding the final maturity of the Series 2009A Loan Note. The Series 2009A Loan Note may, at the option of the Government (subject to the consent of Cruzan), be redeemed, in whole or in part, prior to its maturity at the times, in the manner of and in the same maturities as any optional redemption of the Series 2009A Bonds and at a redemption price equal to the Series 2009A Bonds, pursuant to the terms of the Subordinated Indenture.

The Government will issue the Series 2009A Loan Note in anticipation of the receipt of the Cruzan Matching Fund Revenues in an amount in excess of that which is required to (i) together with Diageo Matching Fund Revenues, pay the Senior Matching Fund Loan Notes previously issued to secure the outstanding Senior Bonds and (ii) pay the principal of, premium, if any and interest due on the Series 2009A Loan Note. No assurances can be given, however, as to the sufficiency of Cruzan Matching Fund Revenues or the Diageo Matching Fund Revenues for such purposes. See "MATCHING FUND REVENUES."

Series 2009A Loan Agreement

Under the Series 2009A Loan Agreement, the Authority will lend to the Government the sum of \$39,190,000, which will be evidenced by the Series 2009A Loan Note. Pursuant to the Series 2009A Loan Agreement, the Government will pledge and assign its interests in the Cruzan Matching Fund Revenues and the Cruzan Special Escrow Agreement to the Trustee as security for the payment of the Series 2009A Loan Note. The Government is obligated to repay the Series 2009A Loan Note in annual installments in accordance with a principal maturity schedule corresponding to the Series 2009A Bonds.

Pursuant to the Series 2009A Loan Agreement, the Government has covenanted, among other things, to take all actions necessary to preserve, protect and enhance the pledge of the Cruzan Matching Fund Revenues and to request that the United States deliver and take all steps necessary to ensure the receipt, and the maximization, of the Matching Fund Revenues, including Cruzan Matching Fund Revenues, to be received pursuant to Section 28(b) of the Revised Organic Act. The Government has further covenanted not to take any action or fail to take any actions that would in any way impair the Government's right to receive the maximum amount of Matching Fund Revenues to which it may be entitled. In the event that the federal government discontinues the payment of Matching Fund Revenues to the Government and substitutes another stream of revenues in lieu thereof (the "Substitute Revenues"), the Government covenants to use its best efforts to pledge such Substitute Revenues to repayment of the Series 2009A Loan Note. The Authority also has covenanted in the Series 2009A Loan Agreement to use

its best efforts to cause the Government to comply with the terms and the covenants set forth in the Series 2009A Loan Agreement. The Government also has covenanted to comply with the requirements of the Cruzan Agreement and the Diageo Agreement. See APPENDIX C – “Summary of Certain Provisions of the Series 2009A Loan Agreement” and “DIAGEO – The Diageo Agreement.”

Special Escrow Agreement

The Government, the Authority and The Bank of New York Mellon Trust Company, N.A., as Special Escrow Agent, have entered into a Special Escrow Agreement dated as of May 1, 1998, as previously amended and supplemented, and as further amended by Amendment No. 4 to the Special Escrow Agreement (collectively, the “Special Escrow Agreement”), which provides for the deposit of Matching Fund Revenues into the Special Escrow Account to be transferred to the Senior Trustee for payment of Debt Service payments on all Senior Bonds outstanding under the Senior Indenture due in the next Fiscal Year, and the funding of any deficiencies in the Senior Bond Debt Service Reserve Account prior to the transfer of any excess Matching Fund Revenues to the Government, the Cruzan Special Escrow Agent and the Diageo Special Escrow Agent for application pursuant to the Cruzan Special Escrow Agreement and the Diageo Special Escrow Agreement (each as defined and discussed below), respectively.

The Government has notified the DOI, Office of Insular Affairs of the execution of the Special Escrow Agreement and has instructed the DOI to transmit all Matching Fund Revenues to the Special Escrow Agent. See “MATCHING FUND REVENUES” for a description of the process of collection and remittance of Matching Fund Revenues to the Government.

Cruzan Special Escrow Agreement and Cruzan Project Implementation Agreement

In connection with the issuance of the Series 2009A Bonds, the Government, the Authority and the Cruzan Special Escrow Agent will enter into the Cruzan Special Escrow Agreement, dated as of December 1, 2009 (the “Cruzan Special Escrow Agreement”), pursuant to which Cruzan Matching Fund Revenues not required to satisfy any payment obligations related to the Senior Bonds shall be transferred by the Special Escrow Agent to the Cruzan Special Escrow Agent in an amount that is certified by an independent certified public accounting firm to be selected not later than September 1, 2010, by the Government with the consent of Cruzan and Diageo (the “Calculation Agent”). Such funds shall be used to pay debt service on the Series 2009A Bonds and to make other payments to the Government and Cruzan required pursuant to the Cruzan Agreement. See “THE CRUZAN AGREEMENT,” and APPENDIX B – “Summary of Certain Provisions of the Subordinated Indenture, the First Supplemental Subordinated Indenture and the Cruzan Special Escrow Agreement.”

The Government, the Authority, Cruzan and the Trustee will enter into the Cruzan Project Implementation Agreement, dated as of December 1, 2009 (the “Cruzan Project Implementation Agreement”), a form of which is attached hereto as APPENDIX F, pursuant to which the Government and Cruzan will, among other things, establish certain accounts required to implement the provisions of the Cruzan Agreement and the Trustee will be directed to make the required deposits and payments under the Cruzan Agreement. See “THE CRUZAN AGREEMENT.”

Diageo Matching Fund Revenues

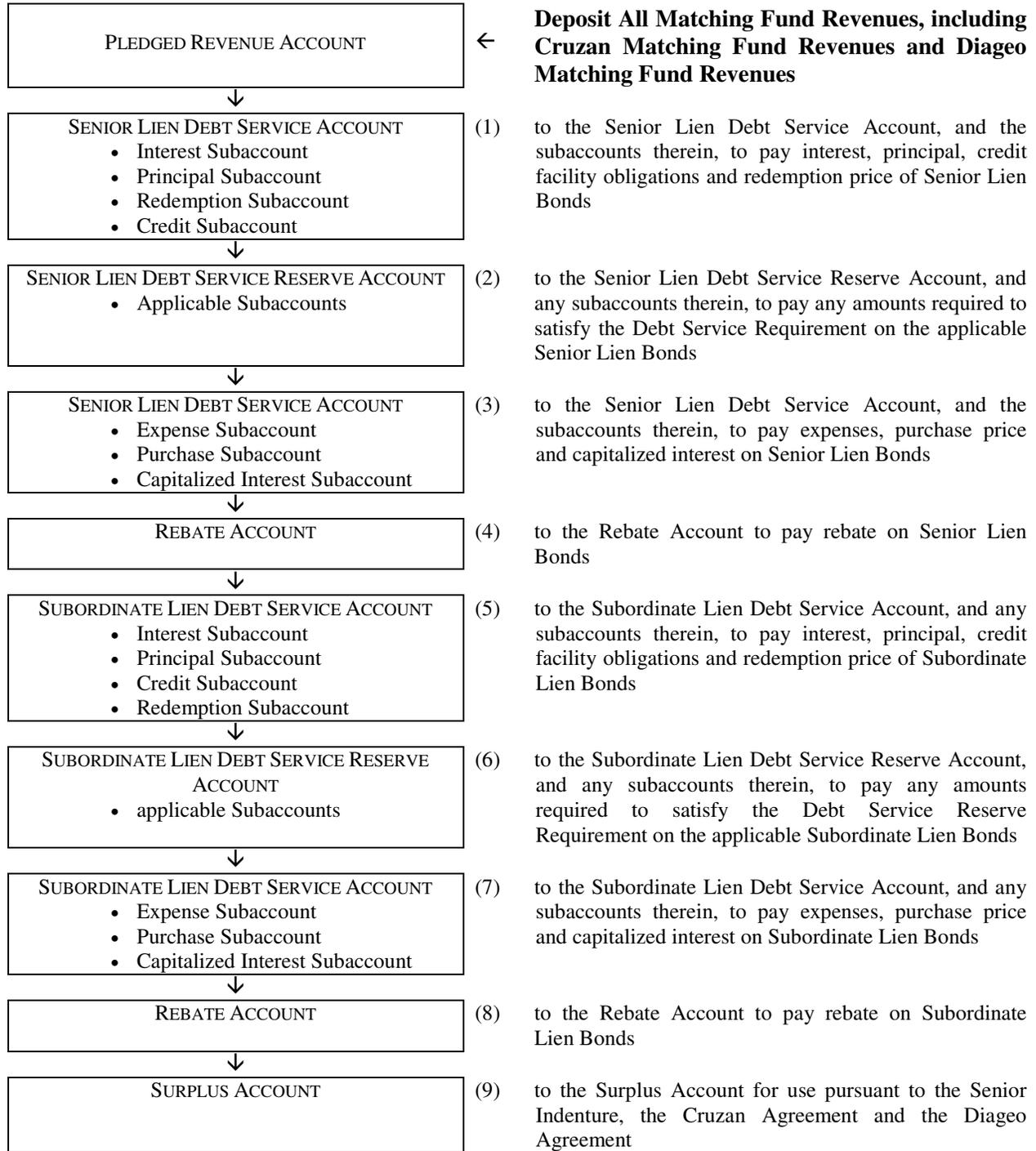
Diageo Matching Fund Revenues attributed to the excise taxes imposed and collected on rum produced by Diageo USVI are not available to pay debt service on the Series 2009A Bonds. In connection with the issuance of the Diageo Matching Fund Revenue Bonds, the Government, the Authority and The Bank of New York Mellon Trust Company, N.A., as Diageo Special Escrow Agent

(the “Diageo Special Escrow Agent”), entered into the Diageo Special Escrow Agreement (“Diageo Special Escrow Agreement”), pursuant to which Diageo Matching Fund Revenues not required to satisfy any payment obligations related to the Senior Bonds will be transferred by the Special Escrow Agent to the Diageo Special Escrow Agent, as certified by the Calculation Agent, and used to pay debt service on the Diageo Matching Fund Revenue Bonds and to make other payments required pursuant to the Diageo Agreement. See “DIAGEO – The Diageo Agreement.”

Flow of Funds

Matching Fund Revenues collected by the Treasury on rum exported to the United States are transferred through DOI to the Government. At the direction of the Government and in accordance with the provisions of the Special Escrow Agreement, the Matching Fund Revenues are deposited into the Special Escrow Account held by the Special Escrow Agent and applied to make payments in accordance with the Senior Indenture. Pursuant to the Senior Indenture, Matching Fund Revenues are deposited into the Pledged Revenue Account and then applied as set forth on the following page.

Flow of Matching Fund Revenues - Senior Bonds



Pursuant to the Senior Indenture, amounts in the Surplus Account may be (i) transferred to the Debt Service Accounts and the Debt Service Reserve Accounts to maintain the required balances if no other funds are available for such purposes, (ii) transferred to the Construction Account to pay cost of approved projects and (iii) used for any other purpose as directed by the Authority or authorized by law. Pursuant to the Special Escrow Agreement, however, the Authority and the Government have agreed to

transfer all amounts in the Surplus Account to the Government, the Cruzan Special Escrow Agent and the Diageo Special Escrow Agent for application in accordance with the respective terms of the Cruzan Special Escrow Agreement and the Diageo Special Escrow Agreement, as described below.

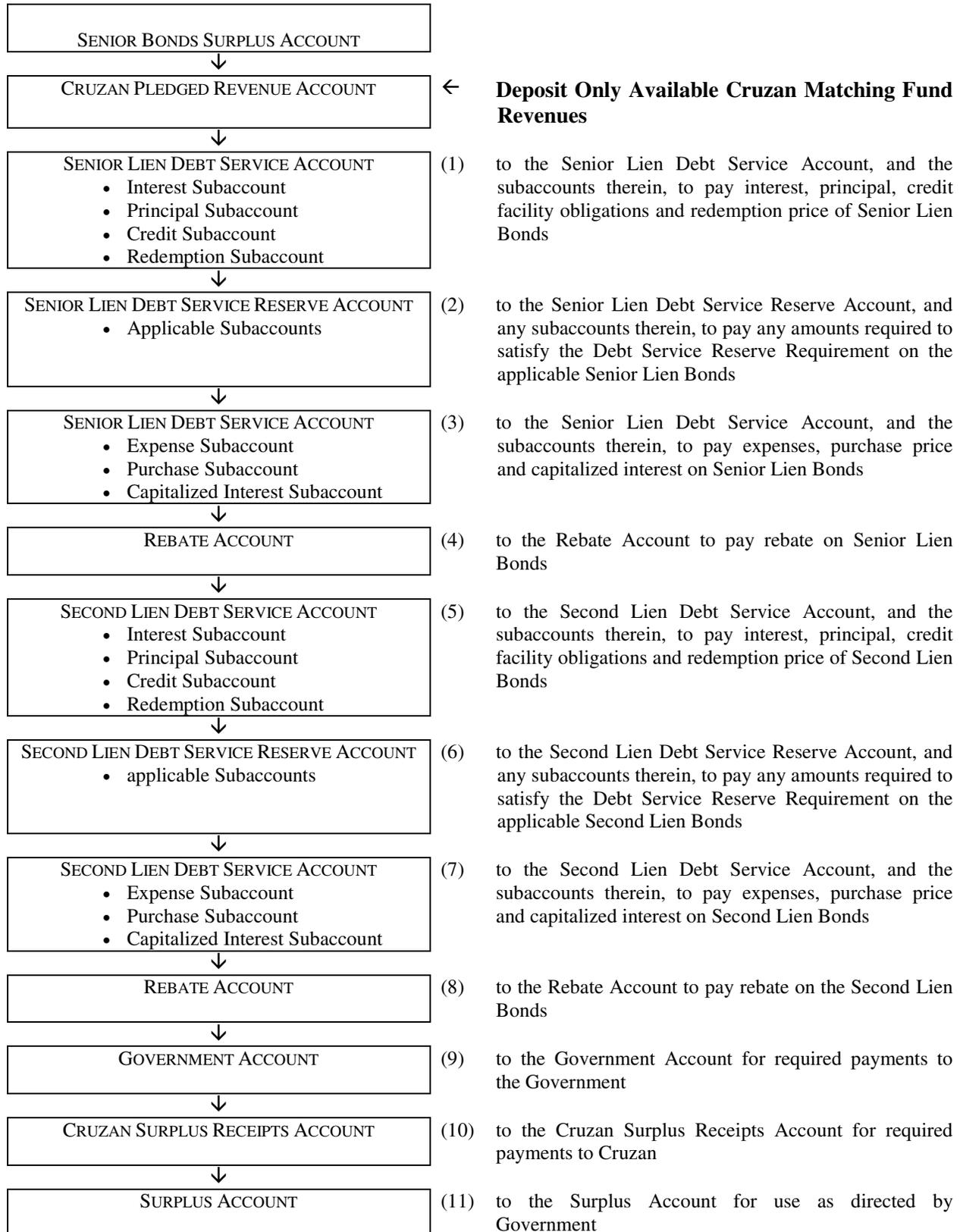
Amounts in the Surplus Account equal to the Cruzan Matching Fund Revenues after payment of all amounts required under the Senior Indenture, including the replenishment of any deficiency in a Debt Service Reserve Subaccount (the “Available Cruzan Matching Fund Revenues”), as certified by the Calculation Agent, will be transferred to the Cruzan Special Escrow Agent for deposit into the Cruzan Pledged Revenue Account and will be applied by the Cruzan Special Escrow Agent in accordance with the Cruzan Agreement, as further set forth on the next page.

Amounts in the Surplus Account equal to the surplus Diageo Matching Fund Revenues after payment of all amounts required under the Senior Indenture, including the replenishment of any deficiency in a Debt Service Reserve Subaccount (the “Available Diageo Matching Fund Revenues”), as certified by the Calculation Agent, will be transferred to the Diageo Special Escrow Agent for deposit into the Diageo Pledged Revenue Account and will be applied by the Diageo Special Escrow Agent in accordance with the terms of the Diageo Agreement.

In accordance with the Cruzan Agreement and pursuant to the terms of the Cruzan Special Escrow Agreement and the Cruzan Project Implementation Agreement, as long as any Subordinated Bonds are outstanding, the Calculation Agent, annually or at such other times as the Calculation Agent shall have received notification by the Government and/or the Special Escrow Agent of the anticipated or actual receipt of Matching Fund Revenues, will (i) review the records provided by Cruzan with respect to its exports of rum to the United States, (ii) review the amount of Matching Fund Revenues received by the Government from the Treasury, (iii) calculate the amount of the Matching Fund Revenues derived from export of rum produced by Cruzan (which constitute Cruzan Matching Fund Revenues) and (iv) calculate the amount of Cruzan Matching Fund Revenues that are to be deposited with the Cruzan Special Escrow Agent for transfer to the Cruzan Pledged Revenue Account and applied in accordance with the Cruzan Agreement and the Subordinated Indenture. In the event of any dispute as to the calculations certified to by the Calculation Agent for purposes of the Cruzan Agreement, the Cruzan Special Escrow Agreement, the Cruzan Project Implementation Agreement and the Subordinated Indenture, the provisions of the Cruzan Agreement shall govern.

The Calculation Agent shall perform the same review and calculations with respect to the Diageo Matching Fund Revenues in accordance with the Diageo Agreement and pursuant to the terms of the Diageo Special Escrow Agreement and the Diageo Project Implementation Agreement, dated as of June 1, 2009, by and among the Government, the Authority, Diageo USVI and the Trustee. However, no Diageo Matching Fund Revenues will be available to pay debt service on the Series 2009A Bonds and no Cruzan Matching Fund Revenues will be available to pay debt service on the Diageo Matching Fund Revenue Bonds.

Flow of Cruzan Matching Fund Revenues - Subordinated Bonds



Amounts in the Rebate Account, Government Account, Cruzan Surplus Receipts Account and Surplus Account held under the Subordinated Indenture are not pledged to the holders of the Series 2009A Bonds and may be used by the Authority, the Government or Cruzan, as applicable, for any lawful purpose.

Debt Service Reserve Account

In connection with the issuance of the Series 2009A Bonds, the Trustee shall fund the Series 2009A Senior Lien Debt Service Reserve Subaccount with a deposit from the proceeds of the Series 2009A Bonds in an amount equal to the Series 2009A Debt Service Reserve Requirement established in the First Supplemental Subordinated Indenture. A valuation of the Series 2009A Senior Lien Debt Service Reserve Subaccount shall be made on September 1 in each year pursuant to the Subordinated Indenture. In the event the amount on deposit in the Series 2009A Senior Lien Debt Service Reserve Subaccount is less than the Series 2009A Debt Service Reserve Requirement because of any valuation of the investment securities or due to a payment made from the Series 2009A Senior Lien Debt Service Reserve Subaccount to cure an insufficiency of funds on any Interest Payment Date or Principal Payment Date, the Authority is required to restore the deficiency caused thereby by transfers of Cruzan Matching Fund Revenues as described below. The Trustee shall notify the Authority and the Cruzan Special Escrow Agent of the amount of the deficiency or excess, if any, in the Series 2009A Senior Lien Debt Service Reserve Subaccount.

No later than the second Business Day preceding the first day of the next Bond Year (which is defined in the Subordinated Indenture as the Fiscal Year) (after the transfers, if any, to the Series 2009A Senior Lien Debt Service Reserve Subaccount pursuant to the Subordinated Indenture), the Authority shall transfer or provide for the transfer to the Trustee for deposit in the Series 2009A Senior Lien Debt Service Reserve Subaccount an amount not exceeding the aggregate amount necessary, together with the amounts already on deposit in the Series 2009A Senior Lien Debt Service Reserve Subaccount to make the amounts on deposit in the Series 2009A Senior Lien Debt Service Reserve Subaccount equal to the Series 2009A Debt Service Reserve Requirement, from Cruzan Matching Fund Revenues then on deposit in the Cruzan Special Escrow Fund established under the Cruzan Special Escrow Agreement with respect to the Senior Lien Debt Service Reserve Account and the Second Lien Debt Service Reserve Account, respectively. The Trustee shall send written direction to the Special Escrow Agent (with a copy to the Authority) to transfer such amount, to the extent available after transfer pursuant to the Subordinated Indenture, from the Subordinated Special Escrow Fund established under the Special Escrow Agreement.

The Series 2009A Debt Service Reserve Requirement shall mean an amount equal to the least of (i) the maximum principal and interest due on the Series 2009A Bonds in the current or any future Fiscal Year, (ii) 10% of the original stated principal amount of the Series 2009A Bonds (or 10% of the issue price of the Series 2009A Bonds if required by the Code) or (iii) 125% of the average annual principal and interest due on the Series 2009A Bonds in the current and each future Fiscal Year, but in no event more than 10% of the original stated principal amount of the Series 2009A Bonds (or 10% of the issue price of the Series 2009A Bonds if required by the Code). The Series 2009A Debt Service Reserve Requirement is equal to \$2,795,250, which was calculated based on the maximum principal and interest due on the Series 2009A Bonds in the current or any future Fiscal Year.

Additional Bonds

All of the Bonds issued under a Supplemental Subordinated Indenture collectively shall have a first lien upon the Cruzan Trust Estate as provided in the Subordinated Indenture. So long as no Event of Default has occurred and is continuing, the Authority may from time to time enter into a

Supplemental Subordinated Indenture providing for the issuance of Additional Bonds pursuant to the Subordinated Indenture which Additional Bonds will be on a parity with other Bonds of the same lien issued under the Subordinated Indenture.

Such Additional Bonds may be issued for any purpose for which bonds or other obligations may be now or hereafter issued in connection with the Cruzan Project as provided under the Act or as otherwise permitted under the laws of the Virgin Islands. Any such Additional Bonds may bear interest at any rate lawful at the time of the issuance thereof and may mature over any period of time not exceeding the maximum maturity permitted by law and may provide for such other payment terms and conditions as the Authority shall determine in a Supplemental Subordinated Indenture. It is understood and agreed that any Additional Bonds shall be given a designation by year, alphabetical letter or other identifying language or symbol differentiating such Additional Bonds from other Bonds then Outstanding as provided in the Supplemental Subordinated Indenture authorizing the issuance thereof.

Pursuant to the Subordinated Indenture, Additional Bonds may be issued to complete the Cruzan Project without regard to the coverage requirements set forth in the Subordinated Indenture, provided that the Authority is required to deliver a certificate (i) describing the improvements to be completed, (ii) stating that the proceeds of such Additional Bonds in an amount not to exceed \$10,500,000, together with other available funds of the Authority are expected to be sufficient to complete the Cruzan Project and (iii) setting forth the period of time required for completion of the Cruzan Project.

The Authority has the right to issue other bonds, notes or other evidences of indebtedness that are not secured by the Subordinated Indenture and are not secured by a pledge of Cruzan Matching Fund Revenues.

Amendment of Senior Indenture

In connection with the issuance of the Series 2009A Bonds, the Authority and the Trustee have executed the Fifth Supplemental Indenture, which amends provisions of the Senior Indenture to provide that in calculating coverage for purposes of the tests for issuance of additional Senior Bonds or Subordinated Bonds under the Senior Indenture, the Independent Verification Analyst shall exclude from such calculation of the coverage required to satisfy the Additional Bonds Test (described below) the amount of Cruzan Matching Fund Revenues certified by the Calculation Agent as being required to satisfy the payment obligations of the Authority under the Subordinated Indenture and other payment obligations of the Government under the Cruzan Agreement. The Additional Bonds Test under the Senior Indenture, as amended by the Fifth Supplemental Indenture, is calculated as follows:

Additional Senior Bonds may be issued if the conditions set forth in the Senior Indenture are met, including that (i) the average Matching Fund Revenues received by the Government for the immediately preceding three Fiscal Years prior to the issuance of such Additional Senior Bonds equaled or exceeded 150% of the amount of maximum annual Adjusted Debt Service Requirement (including such proposed Additional Bonds) in the current or any subsequent Bond Year, (ii) the average Matching Fund Revenues projected to be received by the Government in the next succeeding two Fiscal Years following the issuance of the Additional Bonds, without regard to the projected Cruzan Incremental Cover Over Revenues or the projected Diageo Incremental Cover Over Revenues, as certified by the Calculation Agent, are equal to or exceed 150% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Senior Bonds and such additional Senior Bonds, and (iii) the average Matching Fund Revenues projected to be received by the Government for the next succeeding two Fiscal Years following the issuance of the additional Senior

Bonds, without regard to the projected Cruzan Incremental Cover Over Revenues or the projected Diageo Incremental Cover Over Revenues, as certified by the Calculation Agent, are equal to or exceed 120% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Senior Lien Bonds, such Additional Senior Bonds and Outstanding Second Lien Bonds.

Additional Subordinate Bonds may be issued under the Senior Indenture if the conditions set forth in the Senior Indenture are met, including that (i) the average Matching Fund Revenues received by the Government for the immediately preceding three Fiscal Years available after payment of Debt Service on Outstanding Senior Bonds and any Senior Bonds to be issued simultaneously with such additional Subordinate Bonds (the "Available Matching Fund Revenues") equaled or exceeded 125% of the amount of maximum Adjusted Debt Service Requirement in the current or any subsequent Bond Year; (ii) the average Available Matching Fund Revenues projected to be received by the Government in the next succeeding two Fiscal Years following the issuance of the additional Subordinate Bonds, without regard to the projected (a) Diageo Incremental Cover Over Revenues (as defined in the Senior Indenture) and (b) Cruzan Incremental Cover Over Revenues, each as certified by the Calculation Agent, are equal to or exceed 125% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Subordinate Bonds and such additional Subordinate Bonds; and (iii) the average Matching Fund Revenues projected to be received by the Government for the next succeeding two Fiscal Years following issuance of the additional Subordinate Bonds, without regard to (a) Diageo Incremental Cover Over Revenues and (b) Cruzan Incremental Cover Over Revenues, each as certified by the Calculation Agent, are equal to or exceed 120% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Subordinate Bonds, such additional Subordinate Lien Bonds and Outstanding Senior Bonds.

In connection with the issuance of the Diageo Matching Revenue Bonds, the Authority and the Trustee executed the Third Supplemental Indenture, dated as of June 1, 2009, which amends provisions of the Senior Indenture to provide that in calculating coverage for purposes of the tests for issuance of additional Senior Bonds or Subordinated Bonds under the Senior Indenture, the Independent Verification Analyst shall exclude from such calculation of the coverage required to satisfy the Additional Bonds Test the amount of Diageo Matching Fund Revenues certified by the Calculation Agent as being required to satisfy the payment obligations of the Authority under the Subordinated Indenture of Trust, dated as of June 1, 2009, entered into with respect to the issuance of the Diageo Matching Fund Revenue Bonds, and other payment obligations of the Government under the Diageo Agreement.

SOURCES AND USES OF FUNDS

Proceeds of the Series 2009A Bonds will be used by the Authority to (i) make a loan to the Government to provide a grant to Cruzan to finance the costs of the Cruzan Wastewater Treatment Project and certain preliminary costs of the Cruzan Expansion Project, (ii) fund the Series 2009A Senior Lien Debt Service Reserve Subaccount in an amount necessary to meet the Series 2009A Debt Service Reserve Requirement and (iii) pay the costs of issuing the Series 2009A Bonds.

The estimated sources and uses of the proceeds of the Series 2009A Bonds are expected to be as follows:

SOURCES OF FUNDS

Par Amount	\$39,190,000
Net Original Issue Premium	115,289
Total Sources	<u>\$39,305,289</u>

USES OF FUNDS

Deposit to Series 2009A Construction Subaccount	\$35,000,000
Deposit to Series 2009A Senior Lien Debt Service Reserve Subaccount	2,795,250
Costs of Issuance ¹	1,510,039
Total Uses ²	<u>\$39,305,289</u>

¹ The Costs of Issuance of the Series 2009A Bonds include legal fees, Trustee fees, financial advisor fees, Underwriters' discount and other costs incurred in connection with the issuance of the Series 2009A Bonds.

² Totals may not add due to rounding.

DEBT SERVICE REQUIREMENTS

The table below sets forth the debt service on all Outstanding Bonds of the Authority and the Series 2009A Bonds.

Fiscal Year (September 30)	Outstanding Senior Indenture Senior Lien Bonds	Outstanding Senior Indenture Subordinate Lien Bonds	Outstanding Diageo Bonds	Total Outstanding Bonds	Series 2009A Bonds			Total Debt Service
	Debt Service	Debt Service	Debt Service	Debt Service	Principal	Interest	Total	
2010	\$15,352,211	\$ 2,072,087	\$12,155,835	\$29,580,135	-	\$ 650,527	\$ 650,527	\$30,230,662
2011	32,061,506	6,338,000	16,702,675	55,102,181	\$ 550,000	2,243,575	2,793,575	57,895,756
2012	47,755,406	10,991,750	16,702,675	75,449,831	565,000	2,226,850	2,791,850	78,241,681
2013	40,998,206	10,991,125	16,702,675	68,692,006	585,000	2,209,600	2,794,600	71,486,606
2014	40,999,706	10,988,875	20,621,475	72,610,056	605,000	2,185,700	2,790,700	75,400,756
2015	40,994,981	10,828,250	20,621,575	72,444,806	640,000	2,154,575	2,794,575	75,239,381
2016	40,983,762	10,989,375	20,623,468	72,596,606	670,000	2,121,825	2,791,825	75,388,431
2017	40,972,750	10,889,750	20,619,025	72,481,525	705,000	2,087,450	2,792,450	75,273,975
2018	40,968,156	10,877,750	20,622,306	72,468,212	740,000	2,051,325	2,791,325	75,259,538
2019	40,962,221	10,865,250	20,621,625	72,449,096	780,000	2,013,325	2,793,325	75,242,422
2020	40,956,768	10,700,125	20,620,462	72,277,356	820,000	1,972,813	2,792,813	75,070,169
2021	40,944,212	9,531,125	20,621,134	71,096,471	865,000	1,925,850	2,790,850	73,887,322
2022	40,937,018	10,992,125	20,622,228	72,551,371	920,000	1,872,300	2,792,300	75,343,672
2023	24,736,018	7,964,250	20,623,178	53,323,446	975,000	1,815,450	2,790,450	56,113,897
2024	16,075,175	-	20,621,996	36,697,171	1,040,000	1,755,000	2,795,000	39,492,172
2025	40,847,862	-	20,621,531	61,469,393	1,100,000	1,690,800	2,790,800	64,260,194
2026	14,202,875	-	20,619,462	34,822,337	1,170,000	1,622,700	2,792,700	37,615,038
2027	5,479,000	-	20,618,306	26,097,306	1,245,000	1,550,250	2,795,250	28,892,556
2028	5,480,875	-	20,620,246	26,101,121	1,320,000	1,473,300	2,793,300	28,894,422
2029	5,480,375	-	20,622,303	26,102,678	1,400,000	1,391,700	2,791,700	28,894,378
2030	5,477,250	-	20,621,493	26,098,743	1,490,000	1,305,000	2,795,000	28,893,744
2031	5,481,000	-	20,621,568	26,102,568	1,580,000	1,212,900	2,792,900	28,895,469
2032	5,481,125	-	20,622,843	26,103,968	1,680,000	1,115,100	2,795,100	28,899,069
2033	5,477,375	-	20,618,537	26,095,912	1,780,000	1,011,300	2,791,300	28,887,213
2034	5,479,250	-	20,619,431	26,098,681	1,890,000	901,200	2,791,200	28,889,881
2035	5,481,125	-	20,620,800	26,101,925	2,010,000	784,200	2,794,200	28,896,125
2036	5,477,625	-	20,617,918	26,095,543	2,130,000	660,000	2,790,000	28,885,544
2037	5,478,250	-	20,620,556	26,098,806	2,265,000	528,150	2,793,150	28,891,956
2038	5,477,375	-	20,618,143	26,095,518	2,405,000	388,050	2,793,050	28,888,569
2039	5,479,375	-	-	5,479,375	2,555,000	239,250	2,794,250	8,273,625
2040	5,478,625	-	-	5,478,625	2,710,000	81,300	2,791,300	8,269,925
Total¹	<u>\$677,457,465</u>	<u>\$135,019,838</u>	<u>\$577,785,479</u>	<u>\$1,390,262,782</u>	<u>\$39,190,000</u>	<u>\$45,241,365</u>	<u>\$84,431,365</u>	<u>\$1,474,694,147</u>

¹ Totals may not add due to rounding.

MATCHING FUND REVENUES

General

The Secretary of the Treasury is directed to make transfers to the Government of certain excise taxes imposed and collected under the Code in any Fiscal Year on certain products produced in the Virgin Islands and exported to the United States mainland from the Virgin Islands. Rum is the only product presently produced in the Virgin Islands and exported to the United States that is subject to federal excise tax that qualifies for transfer to the Government under the applicable provisions of the Revised Organic Act and the Code. The term “Matching Fund Revenues” is used to denote the payments that are transferred to the Government.

The Treasury collects the federal excise taxes levied on rum exported to the United States from the Virgin Islands, whether the rum is shipped to the United States in bulk or the rum is bottled in the Virgin Islands, and submits monthly reports of the federal excise tax revenues collected to the United States Department of Interior (“DOI”).

In September of each year, the Governor requests a Matching Fund Revenue prepayment from the DOI that is calculated by the OMB based on an estimate of the amount of federal excise taxes to be collected in the ensuing Fiscal Year taking into account any required adjustments. Based on the Governor’s request, the DOI calculates the amount of the federal excise taxes that will be transferred to the Virgin Islands and requests the Treasury to transfer the prepayment for the ensuing Fiscal Year to the Special Escrow Account of the Government held by the Special Escrow Agent prior to September 30 of that Fiscal Year. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS – Special Escrow Agreement”, “– Cruzan Special Escrow Agreement and Cruzan Project Implementation Agreement” and “– Flow of Funds.”

This prepayment is subject to subsequent adjustment based on the amount of Matching Fund Revenues actually received by the Government and the amount of federal excise taxes actually collected by the Treasury during each Fiscal Year. Any adjustments to such prepayment are made in the second succeeding Fiscal Year after the prepayment is received by the Government. Adjustment payments also may be requested by the Governor and made by the DOI during a Fiscal Year. The amount required to be remitted to the Government by the Secretary of the Treasury is limited to an amount no greater than the total amount of local duties, taxes and fees collected by the Government in the applicable Fiscal Year.

The federal excise tax on rum exports from the Virgin Islands to the United States currently accounts for all of the Matching Fund Revenues. To date, the only producer of rum in the Virgin Islands has been Cruzan. Pursuant to the Diageo Agreement, Diageo USVI has agreed to build the Diageo Project on St. Croix and to begin production of all of its Captain Morgan rum for export to the United States commencing in 2012. See “DIAGEO”, “THE RUM INDUSTRY” and APPENDIX G – “Verification and Projection of Matching Fund Revenues on Rum Shipments to the U.S.”

Cover Over Rate

The federal excise tax and the amount of federal excise tax per proof gallon remitted by the Treasury back to the Government (the “Cover Over Rate”) are set by Congress and codified in Sections 5001(a)(1) and 7652(f) of the Code. The federal excise tax on distilled spirits produced in, or imported into, the United States has over the years ranged from \$10.50 per proof gallon to \$13.50 per proof gallon. Until 1984, the entire amount of such excise tax qualified for transfer to the Government. As part of the Deficit Reduction Act of 1984, Congress increased the federal excise tax on distilled spirits from \$10.50 per proof gallon to \$12.50 per proof gallon, but capped the Cover Over Rate at \$10.50 per proof gallon.

As part of the Omnibus Budget Reconciliation Act of 1990, Congress again increased the federal excise tax rate on distilled spirits to \$13.50 per proof gallon, but maintained the cap on the Cover Over Rate at \$10.50. As part of the Omnibus Budget Reconciliation Act of 1993, Congress increased the Cover Over Rate paid to the Government, through September 30, 1998, from \$10.50 per proof gallon to \$11.30 per proof gallon. As part of the Tax Relief Extension Act of 1999, Congress increased the Cover Over Rate to \$13.25 per proof gallon from July 1, 1999, through December 31, 2001. As part of the Job Creation and Worker Assistance Act of 2002, Congress extended the \$13.25 per proof gallon Cover Over Rate from January 1, 2002, through December 31, 2003. As part of the Working Families Tax Relief Act of 2004, Congress extended the \$13.25 per proof gallon Cover Over Rate from January 1, 2004, through December 31, 2005. As part of the Tax Relief and Health Care Act of 2006, Congress extended the \$13.25 per proof gallon Cover Over Rate from January 1, 2006, through December 31, 2007. As part of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Congress again extended the \$13.25 per proof gallon Cover Over Rate from January 1, 2008, through December 31, 2009.

The rate of reimbursement is subject to change by Congress and no assurances can be given as to when, whether or to what extent Congress might change the Cover Over Rate. In the event that the Cover Over Rate is reduced to less than \$10.50 per proof gallon of rum, both of Cruzan and Diageo USVI are permitted to terminate their respective Agreements, will have no further obligation to develop the Cruzan Project or the Diageo Project, as applicable, and will have no obligation to pay liquidated damages to the Government upon termination of the their respective Agreements.

Set forth below is a brief synopsis of the history of the federal excise tax rates and corresponding Cover Over Rates per proof gallon of rum since 1984.

<u>Year</u>	<u>Excise Tax Rate*</u>	<u>Cover Over Rate*</u>	<u>Legislation</u>
1984	\$12.50	Lesser of \$10.50 or the excise tax rate	The Deficit Reduction Act of 1984
1990	\$13.50	\$10.50	Omnibus Budget Reconciliation Act of 1990
1993	\$13.50	\$11.30	Omnibus Budget Reconciliation Act of 1993
1998	\$13.50	Lesser of \$10.50 or the excise tax rate	Section 7652(f) of the U.S. Code
1999-2001	\$13.50	\$13.25	Tax Relief Extension Act of 1999
2002-2003	\$13.50	\$13.25	Job Creation and Worker Assistance Act of 2002
2004-2005	\$13.50	\$13.25	Working Families Tax Relief Act of 2004
2006-2007	\$13.50	\$13.25	Tax Relief and Health Care Act of 2006
2008-2009	\$13.50	\$13.25	Emergency Economic Stabilization Act of 2008

* Per proof gallon.

MATCHING FUND REVENUES ARE DERIVED FROM CERTAIN EXCISE TAXES PAYABLE ON PRODUCTS, PRINCIPALLY RUM, PRODUCED IN THE VIRGIN ISLANDS AND IMPORTED INTO THE UNITED STATES. THERE CAN BE NO ASSURANCE THAT VIRGIN ISLANDS RUM PRODUCTION OR THE FEDERAL EXCISE TAX WILL BE MAINTAINED AT LEVELS SUFFICIENT TO GENERATE EXCISE TAXES IN AMOUNTS SUFFICIENT TO PAY THE DEBT SERVICE ON BOTH THE SENIOR BONDS AND THE SERIES 2009A BONDS. SEE “THE RUM INDUSTRY” AND “CERTAIN BONDHOLDER RISKS.”

Proposed Legislation

Currently, all rum used by Diageo in Captain Morgan branded products sold in the U.S. is procured through an exclusive supply contract with a Puerto Rican third-party supplier, which expires on December 31, 2011. In accordance with the Diageo Agreement, upon completion of the Diageo Project, Diageo USVI will begin the production of rum on St. Croix beginning in January 2012, that will be used to manufacture all Captain Morgan branded products sold in the U.S.

Puerto Rico also is eligible to receive and has received matching fund revenues on rum produced by Diageo in Puerto Rico and elected and appointed officials in Puerto Rico have publicly objected to Diageo USVI entering into the Diageo Agreement. In April 2009, Puerto Rico's Resident Commissioner to the U.S. House of Representatives introduced legislation, H.R. 2122, that would limit the amount of any subsidy paid from Matching Fund Revenues by either the Virgin Islands or by Puerto Rico to any private company to a maximum of ten percent (10%) of such revenues. The proposed legislation provides that, if the Secretary of the Treasury finds that either of the two governments has provided a subsidy greater than 10%, the amount in excess of 10% shall be paid over to the treasury of the government not providing the subsidy. The proposed legislation has seven co-sponsors and has been referred to the House Ways and Means Committee but, to date, no hearings have been scheduled and no further action has been taken on it. If the proposed legislation were in effect today, a portion of the benefits to be received by Cruzan and Diageo USVI from the Government under the Cruzan Agreement and the Diageo Agreement, respectively, would be inconsistent with the law. See "CERTAIN BONDHOLDER RISKS – Proposed Legislation."

Historical Matching Fund Revenues

The following table sets forth a summary of Matching Fund Revenues received by the Government for Fiscal Years 2005 through 2009.

Historical Matching Fund Revenues					
Fiscal Years 2005 - 2009					
(\$000's)					
	<u>2005¹</u>	<u>2006</u>	<u>2007</u>	<u>2008²</u>	<u>2009³</u>
Advance Received for Current Fiscal Year [A]	\$63,635	\$87,864	\$79,460	\$80,746	\$93,840
Payment Adjustment for Two Fiscal Years Prior [B]	3,326	(9,152)	(8,165)	(7,582)	(18,775)
Estimated Adjustment for Two Fiscal Years Later [C]	8,165	(7,833)	15,415	18,775	31,755
Actual Matching Fund Revenues for Current Fiscal Year [A+B+C = D]	<u>\$75,126</u>	<u>\$70,879</u>	<u>\$86,710</u>	<u>\$91,939</u>	<u>\$106,820</u>
Senior Indenture Senior Lien Bonds Maximum Debt Service [E] ⁴	\$29,946	\$35,685	\$36,249	\$36,245	\$36,248
Senior Indenture Senior Lien Bonds Debt Service Coverage [A/E = F]	2.12	2.46	2.19	2.23	2.59
Senior Indenture Subordinate Lien Bonds Maximum Debt Service [G] ⁵	\$11,446	\$11,446	\$11,446	\$11,446	\$11,323
Senior Indenture Subordinate Lien Bonds Debt Service Coverage [(D-E)/G = H]	3.95	3.07	4.41	4.87	6.23
Aggregate Senior Bonds Debt Service Coverage [D/(E+G) = I]	1.81	1.50	1.82	1.93	2.25

¹ Adjustment for earnings vs. advance for Fiscal Years 2002 and 2003. Fiscal Year 2002 Advance was calculated at \$63,089,000 instead of \$60,121,000, resulting in a difference of \$2,968,000.

² In Fiscal Year 2008, the expected adjustment amount was requested a year ahead of the usual time, rather than with the advance payment two years later. Payment adjustment [B] represents the Fiscal Year 2007 adjustment of \$15,415,000 less the Fiscal Year 2006 adjustment of \$7,833,000, which was paid in Fiscal Year 2008.

³ In Fiscal Year 2009, the expected adjustment amount was requested a year ahead of the usual time, rather than with the advance payment two years later. Payment adjustment [B] represents the Fiscal Year 2008 adjustment of \$18,775,000, which was paid in Fiscal Year 2009.

⁴ Actual Senior Debt Service.

⁵ Actual Subordinate Debt Service.

Source: United States Virgin Islands Office of Management and Budget

Verification and Projection of Matching Fund Revenues

IHS Global Insight (USA), Inc. (“Global Insight”), an economic consulting firm, was engaged to verify Matching Fund Revenues received by the Government from Fiscal Year 1992 through Fiscal Year 2009 and to project Matching Fund Revenues for Fiscal Years 2010 through 2038. A copy of their report is attached to this Official Statement. See APPENDIX G – “Verification and Projection of Virgin Islands Matching Fund Revenues from Rum Shipments to the U.S.” Global Insight’s review of the records that document the Matching Fund Revenue collection and transfer process concluded that annual Matching Fund Revenues transferred to the Virgin Islands during the Fiscal Year 1992 through Fiscal Year 2009 period were consistent with excise taxes collected from United States distillers on purchases of bulk rum produced in the Virgin Islands and Customs duties levied on cased Virgin Islands rum.

In connection with its revenue projections, Global Insight developed two models to project future Matching Fund Revenues. The first model, the Constant Market Share Model, set forth in the table on the following page entitled “Projected Matching Fund Revenues and Pro Forma Debt Service Coverage – Constant Market Share Projection,” projects Matching Fund Revenues as a function of historical rum excise tax revenues, resulting in projected Matching Fund Revenues of approximately \$226.3 million in Fiscal Year 2012, when the shipments of rum from the Diageo Project commence, to approximately \$429.3 million in Fiscal Years 2035 through 2038, when both the Cruzan Facility and the Diageo Facility are projected to be producing at full capacity. See APPENDIX G – “Verification and Projection of Virgin Islands Matching Fund Revenues from Rum Shipments to the U.S.”

The second model, the Growing Market Share Model, bases future revenue projections on historical rum production in the Virgin Islands and forecasts Matching Fund Revenues growing from approximately \$234.1 million in Fiscal Year 2012, when shipments of rum from the Diageo Project commence, to \$429.3 million in Fiscal Years 2029 through 2038, when both the Cruzan Facility and the Diageo Facility are projected to be producing at full capacity.

Both models assume that (i) a constant \$13.25 per proof gallon rate will be eligible for transfer to the Government, (ii) both Cruzan and Diageo USVI will be able to maintain, in the case of the Constant Market Share Model, or grow, in the case of the Growing Market Share Model, their respective current shares of the U.S. market, (iii) after reaching capacity, production at both companies will remain constant through 2038, and (iv) Diageo USVI will only ship nine million proof gallons in Fiscal Year 2012.

Global Insight also prepared an alternative projection assuming that the Cover Over Rate paid to the Government per proof gallon was \$10.50 rather than the current rate of \$13.25 per proof gallon, as set forth in the table on the following page entitled “Projected Matching Fund Revenues and Pro Forma Debt Service Coverage – Alternative Projection – Lower Cover Over Rate.” Based on this alternative model, Matching Fund Revenues are projected to be approximately \$179.3 million in 2012 and approximately \$340.2 million in Fiscal Years 2035 through 2038, when both the Cruzan Facility and the Diageo Facility are projected to be producing at full capacity. See APPENDIX G – “Verification and Projection of Virgin Islands Matching Fund Revenues from Rum Shipments to the U.S.”

Projected Matching Fund Revenues and Pro Forma Debt Service Coverage¹
Constant Market Share Projection at \$13.25 Excise Tax Rate
Fiscal Years 2010 - 2015
(\$000's)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Projected Cruzan Matching Fund Revenues at \$13.25 excise Tax Rate [A] ²	\$103,852	\$105,150	\$107,053	\$110,264	\$113,746	\$117,212
Projected Diageo Matching Fund Revenues at \$13.25 excise Tax Rate [B]	-	-	119,250	167,764	173,690	179,588
Total Revenues [A+B = C]	<u>\$103,852</u>	<u>\$105,150</u>	<u>\$226,303</u>	<u>\$278,028</u>	<u>\$287,436</u>	<u>\$296,800</u>
<u>Projected Debt Service Coverage Based on: IHS Global Insight Constant Market Share Projection Rate</u>						
Senior Indenture Senior Lien Bond Maximum Debt Service [D] ³	\$47,755	\$47,755	\$47,755	\$47,755	\$47,755	\$47,755
Senior Indenture Senior Lien Bond Debt Service Coverage [C/D = E]	2.17	2.20	4.74	5.82	6.02	6.22
SENIOR INDENTURE SENIOR LIEN BOND Coverage – Cruzan Revenues Only [A/D = F]	2.17	2.20	2.24	2.31	2.38	2.45
Senior Indenture Subordinate Lien Bond Maximum Debt Service [G] ⁴	\$10,992	\$10,992	\$10,992	\$10,992	\$10,992	\$10,992
Senior Indenture Subordinate Lien Bond Debt Service Coverage [(C-D)/G = H]	5.10	5.22	16.24	20.95	21.80	22.66
SENIOR INDENTURE SUBORDINATE LIEN BOND Coverage – Cruzan Revenues Only [(A-D)/G] = I]	5.10	5.22	5.39	5.69	6.00	6.32
Aggregate Senior Bond Debt Service Coverage [C/(D+G) = J]	1.77	1.79	.85	4.73	4.89	5.05
Aggregate Senior Bond Debt Service Coverage - Cruzan Revenues Only [D/(E+G) = K]	1.77	1.79	1.82	1.88	1.94	2.00
Subordinated Indenture Maximum Debt Service [L] ⁵	\$2,795	\$2,795	\$2,795	\$2,795	\$2,795	\$2,795
SUBORDINATED INDENTURE Coverage – Cruzan Revenues Only [(A-D-G)/L = M]	16.14	16.60	17.28	18.43	19.68	20.92
Aggregate Senior Bond and Series 2009A Bonds Debt Service Coverage [C/(D+G+L) = N]	1.69	1.71	3.68	4.52	4.67	4.82
Aggregate Senior Bond and Series 2009A Bonds Debt Service Coverage - Cruzan Revenues Only [A/(D+G+L) = O]	1.69	1.71	1.74	1.79	1.85	1.90

¹ IHS Global Insight has provided the revenue projections.

² Cruzan revenue projections are inclusive of revenues derived from the Ronrico brand which will be exclusively produced at the Cruzan Facility pursuant to the Cruzan Agreement.

³ The debt service calculation consists of maximum annual aggregate principal and interest payments due on the Series 2004A Senior Bonds, the Series 2009A-1 Senior Bonds, the Series 2009A-2 Senior Bonds and the Series 2009B Senior Bonds.

⁴ The debt service calculation consists of maximum annual principal and interest payments due on the Series 2009C Subordinate Bonds.

⁵ The debt service calculation consists of maximum annual principal and interest payments due on the Series 2009A Bonds.

Projected Matching Fund Revenues and Pro Forma Debt Service Coverage¹
Alternative Projection: Lower Cover Over \$10.50 Excise Tax Rate
Fiscal Years 2010 - 2015
(\$000's)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Projected Cruzan Revenues at \$10.50 Excise Tax Rate [A] ²	\$82,298	\$83,327	\$84,835	\$87,379	\$90,139	\$92,885
Projected Diageo Revenues at \$10.50 Excise Tax Rate [B]	-	-	94,500	132,945	137,641	142,315
Total Revenues [A+B = C]	\$82,298	\$83,327	\$179,335	\$220,324	\$227,779	\$235,200
<u>Projected Matching Fund Revenues - IHS Global Insight Lower Cover Over Rate</u>						
Senior Indenture Senior Lien Bond Maximum Debt Service [D] ³	\$47,755	\$47,755	\$47,755	\$47,755	\$47,755	\$47,755
Senior Indenture Senior Lien Bond Debt Service Coverage [C/D = E]	1.72	1.74	3.76	4.61	4.77	4.93
SENIOR INDENTURE SENIOR LIEN BOND Coverage – Cruzan Revenues Only [A/D = F]	1.72	1.74	1.78	1.83	1.89	1.95
Senior Indenture Subordinate Lien Bond Maximum Debt Service [G] ⁴	\$10,992	\$10,992	\$10,992	\$10,992	\$10,992	\$10,992
Senior Indenture Subordinate Lien Bond Debt Service Coverage [(C-D)/G = H]	3.14	3.24	11.97	15.70	16.38	17.05
SENIOR INDENTURE SUBORDINATE LIEN BOND Coverage – Cruzan Revenues Only [(A-D)/G] = I]	3.14	3.24	3.37	3.60	3.86	4.11
Aggregate Senior Bond Debt Service Coverage [C/(D+G) = J]	1.40	1.42	3.05	3.75	3.88	4.00
Aggregate Senior Bond Debt Service Coverage - Cruzan Revenues Only [D/(E+G) = K]	1.40	1.42	1.44	1.49	1.53	1.58
Subordinated Indenture Maximum Debt Service [L] ⁵	\$2,795	\$2,795	\$2,795	\$2,795	\$2,795	\$2,795
SUBORDINATED INDENTURE Coverage – Cruzan Revenues Only [(A-D-G)/L = M]	8.43	8.79	9.33	10.24	11.23	12.21
Aggregate Senior Bond and Series 2009A Bonds Debt Service Coverage [C/(D+G+L) = N]	1.34	1.35	2.91	3.58	3.70	3.82
Aggregate Senior Bond and Series 2009A Bonds Debt Service Coverage - Cruzan Revenues Only [A/(D+G+L) = O]	1.34	1.35	1.38	1.42	1.46	1.51

¹ IHS Global Insight has provided the revenue projections.

² Cruzan revenue projections are inclusive of revenues derived from the Ronrico brand which will be exclusively produced at the Cruzan Facility pursuant to the Cruzan Agreement.

³ The debt service calculation consists of maximum annual aggregate principal and interest payments due on the Series 2004A Senior Bonds, the Series 2009A-1 Senior Bonds, the Series 2009A-2 Senior Bonds and the Series 2009B Senior Bonds.

⁴ The debt service calculation consists of maximum annual principal and interest payments due on the Series 2009C Subordinate Bonds.

⁵ The debt service calculation consists of maximum annual principal and interest payments due on the Series 2009A Bonds.

CRUZAN

General

Rum has been produced in the Virgin Islands for more than 300 years. All of the rum currently produced in the Virgin Islands is distilled by Cruzan in St. Croix and sales of Cruzan rum currently generate all of the Matching Fund Revenues. Cruzan was founded in 1946 and has produced rum consistently since its inception. Cruzan offers a wide range of dark and light rum as well as flavored varieties (“Cruzan Rum”). The varieties of rum produced were expanded with the launch of Cruzan Black Cherry in 2007 and Guava in 2008.

Ownership

Cruzan is a wholly-owned indirect subsidiary of Beam Global Spirits & Wine, Inc. (“Beam Global”), the largest United States based distilled spirits company with a portfolio of globally recognized brands including Jim Beam bourbon, Sauza tequila, Courvoisier cognac, DeKuyper cordials (in the United States), Maker’s Mark bourbon, Canadian Club whiskey, Teacher’s scotch and Ronrico rum.

Beam Global is a wholly-owned subsidiary of Fortune Brands, Inc. (“Fortune Brands”), a United States-based consumer brands company with subsidiaries in the distilled spirits, home and hardware products, and golf industries whose market-leading brands, in addition to the spirits brands listed above, include Titleist golf products, Moen faucets and Master Lock security products. In 2008, Fortune Brands sales exceeded \$7 billion.

Beam Global acquired Cruzan on October 1, 2008, from V&S Vin & Sprit AB, a distilled spirits company owned by Pernod Ricard S.A. of France.

Neither Beam Global nor Fortune Brands is a party to or obligated under any of the agreements described in this Official Statement, including the Cruzan Agreement and the Cruzan Project Implementation Agreement.

Cruzan Facilities

The existing Cruzan facility (the “Cruzan Facility”) consists of (i) a distillery (the “Cruzan Distillery”), (ii) a fermenter bottom and stillage cooling treatment facility (collectively, the “Cruzan Wastewater Treatment Facility”) and (iii) eight separate barrel maturation warehouses (the “Cruzan Warehouses”). The Cruzan Facility consists of 12 principal buildings totaling approximately 160,000 square feet located on an approximately 33 acre parcel of land in Frederiksted, St. Croix (the “Cruzan Site”). Cruzan owns the Cruzan site and operates the Cruzan Facility for the production and storage of bulk rum to be sold to third parties and for use in Cruzan branded products and other branded rums.

The Cruzan Distillery has the capacity to produce 10.6 million proof gallons (pgs) of rum per year at a production rate of 35,000 pgs per day on the basis of 305 days per year of operation. The Cruzan Distillery includes a molasses receiving area, a main distillery and ancillary operations. The Cruzan Warehouses have the capacity to store 50,000 barrels of rum, and currently store approximately 43,000 barrels.

The Cruzan Wastewater Treatment Facility includes all equipment and systems employed for the treatment of the Cruzan Distillery effluents (wastewater). The Cruzan Site also houses an administrative office, a laboratory and work space and amenities for up to 58 employees.

Management

The Cruzan Facility is managed by three on-site managers who have, in the aggregate, more than 78 years of experience in the rum industry. Additionally, Cruzan has retained the consulting services of Donald Nelthropp Sr., who was Cruzan's president for 25 years and has over 50 years of experience in the rum industry. Cruzan management is supported by the corporate administrative services of Fortune Brands and Beam Global including Corporate Engineering Services, which has extensive experience in spirits production. Beam Global operates a total of 11 distilleries across the world and is one of the leading manufacturers in the industry.

Utilities, Services and Materials

Water and disposal of wastewater, other utilities, services and consumable materials needed to operate the Cruzan Facility are provided from a variety of sources. Cruzan anticipates that these resources will be available to continue to support the growth and expansion of operations at the Cruzan Facility.

Electricity. Virgin Islands Water and Power Authority ("WAPA") currently supplies electricity to the Cruzan Facility. The Cruzan Facility also has backup generation capacity in the event that electric service from WAPA is interrupted at any time. Pursuant to the existing air permit, the onsite backup generator can support the operations of the Cruzan Facility for up to 500 hours per year.

Steam Generation. Steam required for the distillation process is generated on the Cruzan Site by steam boilers owned and operated by Cruzan.

Fuel Oil. Cruzan buys its fuel directly from HOVENSA with delivery of such fuel by Bunkers of St. Croix, Inc., a locally owned and certified company that delivers fuel oil throughout the island.

Potable Water. Potable water required for the Cruzan Facility is supplied by wells located along West Airport Road and pumped to the Cruzan Site.

Cooling Water. Cooling water, which cools the fermenters, vapors and product in the distillation process, is also supplied by wells. Cooling water that has passed through the heat exchangers is routed to cooling towers and brought back to ambient temperature. The water is then returned to the cooling system for re-use in cooling the Cruzan Distillery.

Stormwater Management. Warehouse roofs are routed so that rainwater flows to cisterns and is used on site, both for process make-up water and to meet firefighting requirements.

Sanitary Sewer. Sanitary sewage generated in certain restrooms at the Cruzan Facility is discharged through a connection to a Virgin Islands Waste Management Authority ("VIWMA") sewer line located adjacent to the Cruzan Site. The sewer connection is used only to dispose of sanitary sewage generated from the restrooms and sinks. All other bathroom facilities use septic systems on site. No wastewater or process water from the Cruzan Distillery is discharged to the sanitary sewer.

Solid Waste. VIWMA disposes of solid waste from the Cruzan Distillery to VIWMA facilities. The Cruzan Distillery and water treatment processes generate approximately 24,000 pounds of solid waste monthly, consisting mainly of yeast and molasses residual solids.

Permits

Cruzan currently holds all permits necessary for the operation of the Cruzan Facility, including an occupancy permit, a solid waste disposal permit, an air pollution control permit and a Territorial Pollutant Discharge Elimination System (“TPDES”) permit.

The TPDES permit requires monitoring of discharges and enforcement of regulations controlling discharges of water from specific sites, including industrial, commercial and some residential sites that discharge into the waters of the Virgin Islands. Cruzan’s TPDES permit expires on February 28, 2013. Notwithstanding the current TPDES permit, certain current discharges require mitigation in order to satisfy the TPDES renewal requirement. See ‘THE CRUZAN PROJECT—Cruzan Wastewater Treatment Project – Required Permits for the Cruzan Project – TPDES Permit Modification.’

Rum Production Process

Molasses Receiving and Storage. Molasses is delivered by ship to the St. Croix Molasses Pier, which was completed by the Government in 1999. See “THE RUM INDUSTRY – St. Croix Molasses Pier.” The on-pier molasses storage capacity for Cruzan is currently three million gallons. Molasses deliveries are scheduled through ED & F Man, a leading provider of molasses, logistics and risk management services, which works closely with Cruzan to coordinate Cruzan’s production schedules with the molasses producers. Molasses is trucked to the Cruzan Facility daily to additional storage tanks with a capacity of 200,000 gallons. The molasses is pumped from these storage tanks to the main process site where it undergoes a dilution process. After the dilution process, yeast is added to the molasses along with a measured amount of nutrient salts to ensure efficient fermentation. Yeast metabolizes the sugar contained in the molasses and generates the product of ethyl alcohol. The Cruzan Facility has been running consistently since prohibition ended with no measurable interruptions caused by molasses shortages.

Distillation. Once the fermentation process is complete, the solution is sent to distillation, which separates and purifies ethanol from the fermenter product stream. The distillation process uses continuous columns to refine different qualities of rum that yield different tastes to the final bottled rum. Continuous column distillation, the alternative to a batch distillation process in which spirits are produced in single large batch quantities and then blended for the final product, is believed to be more conducive to the flavor consistency for which Cruzan Rum is known. In the continuous column distillation process fermented beer is sent to a “stripping column” (also known as a “beer column”), where the alcohol is separated from the fermented molasses. The distilled alcohol called “high wine” is then sent to another distillation process where the alcohol is further concentrated and impurities are removed from the alcohol.

The distillation process is continuous, resulting in high quality, consistent flavors and operates 24 hours a day, seven days a week, except for periodic planned shutdowns for system cleaning and maintenance. Fermentation and distillation are carried out an average of 305 days per year.

Existing Cruzan Distillery Wastewater Treatment System. The byproducts of the distillation process are processed to remove fermenter bottoms and cooled to meet requirements set forth in Cruzan’s TPDES permit. Fermenter bottoms are sent to decanter tanks where solids are separated from the liquid. A filter press is used as needed to further remove water from the solids if needed. The solids are then sent to the drying beds at the local landfill. After drying, the solids are disposed at the landfill. The liquid from the decanter tanks and the Vinasse from the Distillery are cooled and discharged to the Cruzan Facility’s TPDES permitted outfall pipeline.

Rum Tanks, Barrel Filling and Maturation at the Cruzan Distillery. The rum distillate, at approximately 189° proof, is stored in a series of tanks, mixed with water and diluted to barreling proof. Product storage tanks are used to store rum before and after barrel filling. All tanks are installed outdoors on reinforced footings in a concrete slab area. Pumps allow rum to be transferred between product storage tanks and the barrel dumping and filling operations. Rum is then pumped into tankers to be transported to Cruzan's bulk customers or to a Cruzan bottling facility. Rum requiring aging is barreled at the Cruzan Facility and stored onsite. Cruzan presently has 43,000 barrels in storage, which is divided almost equally between pallets and racks. Rum is barreled based on future sales projections. Cruzan can currently barrel 17,500 proof gallons of finished rum a day, equivalent to 250 barrels per day.

Shipping. All aged rum and bulk rum are pumped from Cruzan's storage tanks into portable tanks meeting International Standards Organization ("ISO") specifications for beverage handling; most such tanks are provided by Tropical Shipping Co. M&T Trucking Company delivers empty tanks weekly to the Cruzan Site and transports them, once filled, back to the port. Tropical Shipping loads the tanks on their vessel which sails northbound to the mainland U.S. port at Riveria Beach, Florida weekly.

For most Cruzan Rum customers, there are three options for delivery after the rum arrives at port in Riviera Beach, Florida: (i) railcar shipments are pumped into one large 30,000 wine gallon capacity railcar tank with a dome and seals and the rum is transported directly to the customer's plant; (ii) truck shipments are pumped into truck tanks from one of two companies and taken to the final customer destination; and (iii) shipments consigned to Florida Distillers Co., a large bulk customer of Cruzan and contract bottler for Cruzan branded rum through 2011, remain in ISO tanks and are trucked to Florida Distillers for bottling as Cruzan Rum, or as bulk rum used by Florida Distillers Co. in its operations.

Maintenance and Hurricane Preparedness

In order to run a plant more than 300 days per year, Cruzan has taken steps to minimize interruptions to operations by building redundancies into its processes and by trying to anticipate and prepare for possible disruptions. For example, Cruzan keeps spare parts and rebuild kits on site for quick replacement and repair so that most repairs or maintenance work can be done on site while continuing operations.

To minimize the impact from hurricanes, Cruzan has mobile generators for the wells that supply the plant and a generator on site capable of running the entire Cruzan Facility for up to 500 hours per year. Cruzan also maintains higher inventories of molasses during the hurricane season to protect the tanks and to maintain the supply. All loose materials are stored in warehouses, several of which are designed for wind loads up to 175 mph. All motors that are exposed are wrapped with tarps to reduce moisture and are heated with lamps and tested before starting. Most piping and storage for distillation, fermentation and rum tanks are made with 316 gauge stainless steel, which has been proven to withstand many storm conditions. In the event of a category three or weaker hurricane, it is anticipated that the Cruzan Facility would be operational within two weeks or less from impact. For example, in 2008, as a result of Cruzan having its own power generation on site, it was able to re-start production within two and one half (2 ½) days of the category three Hurricane Omar. While it is not possible to predict with certainty Cruzan's ability to remain in operation or restart after any particular natural disaster, Cruzan has created appropriate plans and backup systems to mitigate the impact of any such occurrences.

Insurance Coverage Regarding Operations

Cruzan maintains commercially reasonable insurance against the risks of hurricane, earthquake, fire or other causes of potential damage that might result in business interruption or a commercially significant reduction in the output of rum that can be produced at the Cruzan Facility. FM Global is the

current underwriter for Cruzan's property insurance policy secured through Cruzan's parent company Fortune Brands.

THE CRUZAN AGREEMENT

Pursuant to the Cruzan Agreement, Cruzan has agreed to (i) undertake the Cruzan Wastewater Treatment Project and the Cruzan Expansion Project and (ii) distill at the Cruzan Facility all Branded Rum, Ronrico Rum and Bulk Rum for sale to the United States, in return for, and subject to, certain economic development incentives from the Government, including: (a) a grant of up to \$30 million to pay the cost of the Cruzan Wastewater Treatment Project; (b) a grant of up to \$75 million to pay the cost of the Cruzan Expansion Project; (c) reduction or elimination of certain taxes, including corporate income tax, taxes on all dividends and interest Cruzan otherwise may be required to pay, taxes on all real property or any interest in real property to the extent such property is used for the Cruzan Project, gross receipts taxes, all excise or similar taxes on materials and equipment utilized in the Cruzan Project, customs duties on raw materials and component parts imported into the Virgin Islands for use in developing and constructing the Cruzan Project; (d) receipt of the Molasses Subsidy Payments; (e) various marketing support payments (the "Marketing Support Payments"); (f) various rum promotion support payments (the "Rum Promotion Support Payments"); and (g) various production support payments (the "Production Incentive Payments").

Except for Force Majeure (as defined in the Cruzan Agreement) or as otherwise permitted under the Cruzan Agreement, if Cruzan fails to produce rum for sale into the United States in accordance with the Cruzan Agreement, and such breach is not cured within 12 months, the Government may terminate the Cruzan Agreement, upon which termination Cruzan will be obligated to pay the Government liquidated damages in an amount determined pursuant to the Cruzan Agreement to pay principal, interest and premium on the Bonds, taking into account when the termination occurs and what interest rate is applied to such damages. **Although liquidated damages payable by Cruzan to the Government could be substantial, such liquidated damages are not a part of the Cruzan Trust Estate and are not pledged to holders of the Series 2009A Bonds. Pursuant to the Cruzan Project Implementation Agreement, however, the Government has agreed to (i) deliver all such payments to the Paying Agent to be applied to the redemption and/or defeasance of outstanding Series 2009A Bonds and (ii) not to use such liquidated damages for any other purpose so long as any Series 2009A Bonds are outstanding.**

If the amount of the Cover Over Rate is reduced below the level of \$10.50 per proof gallon or the economic development incentives provided by the Government to Cruzan are reduced or unavailable for a period of more than 12 months, Cruzan is not obligated to produce rum at the Cruzan Facility in accordance with the Cruzan Agreement and has the right to terminate the Cruzan Agreement, in each case without the payment of liquidated damages. Cruzan's obligations under the Agreement are subject to the condition that no Event of Force Majeure shall have occurred. The Cruzan Agreement expires 30 years from the later of (i) its effective date of October 27, 2009, the date that the Virgin Islands Legislature ratified the Cruzan Agreement, or (ii) the date on which no Series 2009A Bonds remain outstanding, but is subject to extension at the option of Cruzan for an additional 30-year term.

The Cruzan Agreement also provides that, after making annual deposits to (i) satisfy debt service payable on the Series 2009A Bonds, including any sinking fund redemptions, and (ii) replenish the Debt Service Reserve Account in an amount necessary to meet the Debt Service Reserve Account Requirement, Cruzan Matching Fund Revenues shall be paid to the Government and to Cruzan as follows: to the Government, (a) between 54% and 60% of the Cruzan Matching Fund Revenues from Branded Rum Sales, depending on the number of proof gallons of rum produced by Cruzan in the preceding year, in each case subject to certain adjustments and offsets, and (b) between 60% and 80% of

Cruzan Matching Fund Revenues from Bulk Rum Sales or between 58% and 78% of Cruzan Matching Fund Revenues from Strategic Third-Party Bulk Rum Sales, depending on the fiscal year and the number of proof gallons of rum produced by Cruzan in the preceding year, and to Cruzan to pay the Molasses Subsidy Payments, Marketing Support Payments, Rum Promotion Support Payments, Production Incentive Payments and other payments and adjustments to Cruzan in the amounts provided in the Cruzan Agreement, as certified by a Calculation Agent. Any Cruzan Matching Fund Reserves remaining after all payments have been made in accordance with the terms of the Cruzan Agreement, as certified by the Calculation Agent, are payable to the Government to be used for any lawful purpose. See “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS – Flow of Funds” and APPENDIX E – “Cruzan Agreement.”

THE CRUZAN PROJECT

General

The Cruzan Project consists of the acquisition, construction and installation of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility, each to be located on the Cruzan Site in Fredricksted, St. Croix and to be owned and operated by Cruzan. Upon completion of the Cruzan Wastewater Treatment Project, the Cruzan Wastewater Treatment Facility will treat process wastewater from the Cruzan Distillery operations using evaporation technology, thereby eliminating undesirable discharge into the ocean. The Cruzan Expansion Project involves the purchase and installation of new distillery equipment and associated materials that will increase rum production from the present 35,000 proof gallons per day to 60,000 proof gallons per day. The Cruzan Project also will include all necessary utilities, transportation improvements and related facilities. The Government will make a grant to Cruzan to finance the cost of the Cruzan Project pursuant to the Cruzan Agreement. See “THE CRUZAN AGREEMENT.”

Beam Global’s Prior Experience in Developing and Operating Similar Facilities

Beam Global has extensive experience in design, development and operation of similar facilities to those proposed to be constructed on the Cruzan Site as part of the Cruzan Project.

Beam Global owns and operates a total of 11 spirits production facilities including bourbon production facilities in Kentucky, Canadian whisky and premium vodka production facilities in Canada, a Tequila production facility in Mexico, a Cognac facility in France, and scotch, brandy and gin production facilities in other European countries. Beam Global is one of the largest volume spirits producers in the world and is a leader in efficient manufacturing of premium spirits products.

Beam Global is committed to environmentally sensitive operations and has specific experience in waste management capital improvement projects. For example, in 2007, Beam Global installed evaporation technology at the Booker Noe Distillery in Kentucky, which is similar in design and capacity to the proposed evaporator system to be used in the Cruzan Wastewater Treatment Facility. In addition, in 2005, Beam Global designed and implemented an upgraded wastewater treatment system that handles increased capacity and expanded operations for Sauza tequila at the Sauza Distillery in Mexico. Other similar projects include capacity expansion of the wastewater treatment facilities at the Clermont, Booker Noe and Maker’s Mark Distilleries in Kentucky.

Cruzan Wastewater Treatment Project

General. Cruzan has been notified by the U.S. Environmental Protection Agency (“EPA”) that the process wastewater discharge from the Cruzan Distillery operations, herein referred to as the “Vinasse,” may be harmful to certain marine life. Cruzan, the Government, the Virgin Islands Department of Planning and Natural Resources (“DPNR”) and the EPA have identified and agreed to the use of evaporation technology to treat the Vinasse, which, once implemented, will result in the cessation of Vinasse discharge into the ocean. Cruzan has agreed to construct the Cruzan Wastewater Treatment Facility to implement the new evaporation technology. Cruzan’s TPDES permit requires Cruzan to complete the design and engineering phase of the Cruzan Wastewater Treatment Project by March 1, 2010, the construction phase by September 1, 2011, and the implementation phase by March 1, 2012.

The Cruzan Wastewater Treatment Facility will be specifically designed and built to support Cruzan’s future capacity expansion. Upon completion of the Cruzan Wastewater Treatment Project,

Cruzan will apply for a new TPDES operating permit for its expanded production resulting from the Cruzan Expansion Project.

The Cruzan Wastewater Treatment Facility will be constructed on the Cruzan Site, located on Estate Diamond in Frederiksted, St. Croix, and will consist of housing for the evaporator and the MVR, diesel powered electric generators, boiler and ancillary equipment such as tanks, pumps and the RO system. Additionally, a 2.0 million gallon Condensed Molasses Solubles (“CMS”) storage tank will be installed adjacent to the existing molasses holding tanks at the St. Croix Molasses Pier, together with related piping and pumps to allow for CMS loading and unloading. The location for the Cruzan Wastewater Treatment Facility has been selected based upon a topographical survey that locates it above the flood plain, within a reasonable distance of the warehouses where barreled rum is stored.

Wastewater Treatment Process. The Cruzan Wastewater Treatment Facility will use an evaporator system to concentrate Vinasse, a non-hazardous residue remaining after the distillation process, from a thin solids concentration to a thick concentration of total solids by evaporation. This concentrated liquid, referred to as CMS, will be sold for use in feed products and other uses. In the evaporation process, vapors evaporated from the Vinasse are re-pressurized to a higher temperature and pressure by a well-developed process called mechanical vapor recompression (“MVR”), thereby reducing the overall energy required for the evaporation process. Water released during the evaporation process is subsequently treated in a micro-filtration and reverse osmosis system to remove organic acids before being reused in the fermentation process as molasses dilution water. Cruzan will purchase the evaporation system from HPD/Veolia Inc, Plainfield, Illinois, a world-wide supplier of process technologies.

Steam. The steam for the Cruzan Wastewater Treatment Facility process will be produced by a package diesel fired 150 pounds per square inch gauge (“psig”) boiler. Steam from this boiler will be directed into a turbine which drives the evaporator MVR system. Low pressure steam (20 psig) will then be directed to distillation and potentially other uses in the plant. In the event the boiler system experiences either scheduled or unscheduled downtime, the requisite amount of steam will be provided by a back-up fire tube boiler at the Cruzan Facility. As part of the Cruzan Expansion Project, Cruzan will install diesel powered generators that are sufficient to power the Cruzan Expansion Facility and the Cruzan Wastewater Treatment Facility. Back up generators also will be purchased to prevent production disruptions.

Construction Cost and Schedule. The estimated cost of the evaporator wastewater treatment system is \$23,000,000. Cruzan is finalizing the projected cost for all other related equipment, utilities and infrastructure improvements related to the treatment system. Cruzan expects the design, engineering and the construction permitting phase to be completed by March 1, 2010, the construction phase to be completed by September 1, 2011, and the implementation phase to be completed by March 1, 2012.

The Corporate Engineering Services department of Beam Global has overall project responsibility and is coordinating required internal and external resources to deliver the project on time and on budget. This department is managed by Sid Mundkur, Ph. D., Vice President. Oversight of the construction and operation of the Cruzan Wastewater Treatment Facility will be managed by Jeffrey Conder, Vice President of Americas Operations, with support from the Corporate Engineering Services and other departments of Beam Global and Fortune Brands.

Cruzan Expansion Project

Presently the Cruzan Facility produces approximately 35,000 proof gallons of rum per day, or 10.6 million proof gallons of rum per year. Upon completion of the Cruzan Expansion Project, the Cruzan Expansion Facility will consist of a new distillery capable of producing 60,000 proof gallons per day. The Cruzan Expansion Facility will be located in the northeast corner of the Cruzan Site and include housing for new molasses storage, yeast propagation, fermentation and distillation equipment. It is projected that the Cruzan Expansion Facility will produce 16 million proof gallons of rum required to meet Cruzan Rum, Ron Rico, bulk and other rum requirements by 2012.

The existing distillery will be decommissioned in an orderly phase-down after the new distillery is fully operational producing rum at desired quality and capacity. This planned redundancy will minimize downtime and disruptions to production. Cruzan intends to use some existing infrastructure such as cooling towers and the evaporation pond in connection with the operation of the new distillery. The existing boilers will be tied into the new boiler system as backup should the need arise.

Yeast propagation and fermentation in the distillery equipment will consist of batch or continuous fermentation to convert molasses into alcohol. High-test and blackstrap molasses will be purchased and mixed in appropriate ratios to distill to desired characteristics. Steam will be directed to the new distillation equipment from the package diesel fired 150 boiler. See "THE CRUZAN PROJECT—Cruzan Wastewater Treatment Project—Steam."

The Cruzan Expansion Project will include the installation of a complete rum distillation system and a mid-pressure diesel-fired boiler system, which will create the steam needed to drive the MVR turbine for the evaporator as well as use the exhaust low pressure steam from the outlet of the turbine for distillation. This is a significant upgrade from the current system which uses high pressure steam through a pressure reducing station to provide heat in distillation. The new method of plant operation is a reliable and energy efficient system that uses the mechanical properties of mid-pressure steam to drive a turbine, while still retaining thermal energy of low pressure steam for distillation. Beam Global and other spirits companies have used this technology successfully for years at other distilleries in the U.S. mainland and Canada.

In addition, the Cruzan Expansion Project will include (i) storage tanks for management of rum distillate once it comes off the distillation columns, (ii) a clean-in-place system designed for cleaning the process equipment, (iii) a microfiltration/reverse osmosis package to reduce volatile organic compounds of re-used condensate water ahead of fermentation, (iv) a 1.0 million gallon carbon steel molasses tank for on site storage, (v) up to six 150,000 gallon fermenters, which allow the yeast to convert the sugar in the molasses to alcohol, (vi) one or more yeast propagation tanks for propagating yeast for use in fermentation, (vii) one 170,000 gallon "beer well" for holding finished fermented volume prior to distillation, (viii) a carbon-dioxide scrubber and vent gas scrubber to reduce volatile organic compounds resulting from fermentation and distillation and (ix) a new stormwater detention and evaporation pond which will be installed to comply with TPDES requirements including the SWPPP program.

Cruzan currently is in the process of evaluating different distillation system designs for the Cruzan Expansion Project. Cruzan expects to make the design determination in December 2009, and to begin the process of selecting the fermentation and distillation technology provider as well as to commence the permitting process in early 2010.

Required Permits for the Cruzan Project

A number of permits are required for the construction and the operation of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility. The table below identifies the type of permit that is required, the relevant portion of the Cruzan Project to which the permit applies, the governmental agency that will issue the permit and the current status of each permit.

CRUZAN WASTEWATER TREATMENT FACILITY	CRUZAN EXPANSION FACILITY	PERMITS	GOVERNMENTAL AGENCY	STATUS/TIMING
X	X	Soil Boring Permit	DPNR	Submittal Date: 10/29/2009
X	X	Land Clearing Permit	DPNR	Initial Submittal Date: 11/24/2009
X	X	Major Earth Change Permit	DPNR	Initial Submittal Date: 11/24/2009
X	X	Building Permit	DPNR	Submittal Date: 11/24/2009
X	X	Air Permit Modification	DPNR	Submittal Date: 11/24/2009
X	-	Major CZM Permit <i>Environmental Assessment Report Phase I Archeological Assessment</i>	DPNR	Anticipated Submittal Date: 01/07/2010 Anticipated Approval Date: 10/07/2010
X	X	TPDES Permit Modification <i>SWPPP & CGP, as required</i>	DPNR	Anticipated Submittal Date: 08/28/2012

Set forth below is a brief description of each permit listed above.

Soil Boring Permit. A soil boring permit is required in order to place soil borings at the Cruzan Distillery and the St. Croix Molasses Pier for the new CSM tank. A soil investigation report will be generated and used in the structural design to ensure proper load bearing of foundations.

Land Clearing Permit. A land clearing permit is required to remove brush, shrubs and other low lying vegetation to prepare the site for the construction of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility. The initial permit will be applicable only to the Cruzan Wastewater Treatment Facility. After the design and engineering for the Cruzan Expansion Facility is completed, Cruzan will submit an application to modify the initial permit allowing for construction of the Cruzan Expansion Facility. Stormwater Pollution Prevention Plans (“SWPPPs”) and Construction General Permits (“CGPs”) will be obtained, as required.

Major Earth Change Permit. A major earth change permit is required for all development activity in what is classified as the “second tier” of inland zone of the Virgin Islands. This permit will allow land at the Cruzan Facility to be contoured to accommodate the construction of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility. SWPPPs and CGPs will be obtained, as required.

Building Construction Permit. A building construction permit, allowing for physical construction of structures, is required for the construction of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility.

Air Permit Modification. A modification to the existing air permit for the Cruzan Facility will be required to accommodate the new Cruzan Wastewater Treatment Facility and the expanded operations resulting from the Cruzan Expansion Project. Cruzan will likely need to obtain a Title V operating permit for the Cruzan Facility upon completion of the Cruzan Expansion Project.

Major CZM Earth Change Permit. A Coastal Zone Management (“CZM”) permit is required for all developmental activity in what is classified as the “first tier” of the coastal zone of the Virgin Islands. The St. Croix Molasses Pier is located in the “first tier,” therefore, a CZM permit must be obtain in order to install the CMS tank at the St. Croix Molasses Pier. In addition, Cruzan will obtain SWPPPs and CGPs required under CZM regulations, as necessary.

Two ancillary assessments are required in connection with CZM permitting: an environmental assessment report, including an inventory of wetlands and other natural resources, and a Phase I archeological assessment that will be conducted by an archeologist approved by the Virgin Islands State Historic Preservation Office (“VIHSP0”).

TPDES Permit Modification. A modification to the existing TPDES permit for the Cruzan Facility is necessary to take into account the new wastewater treatment system that will be installed as part of the Cruzan Wastewater Treatment Project and the additional wastewater that will be produced as a result of the Cruzan Expansion Project. During the commissioning phase, Cruzan will meet with DPNR and discuss the timing of the necessary permit modification. The existing TPDES permit expires on February 28, 2013. Prior to the completion of the Cruzan Project, Cruzan will discuss with DPNR whether any modifications to the TPDES permit are necessary and reflect such modifications, if any, in the TPDES permit renewal application that will be submitted at least 180 days prior to the expiration of the current TPDES permit.

Permitting Consultants

Cruzan has engaged several consulting firms to determine which permits are required for the Cruzan Project and to assist in engineering, developing engineering drawings, filings and other matters relating to the acquisition of the required permits.

ENVIRON International Corporation (“ENVIRON”) will be handling the air emissions and TPDES permitting aspects of the Cruzan Project. ENVIRON is an international consulting company that deals with environmental, engineering and human health issues, with gross revenues in excess of \$230 million. ENVIRON has extensive experience on St. Croix, having worked at HOVENSA since 1985, at the St. Croix Renaissance Industrial Park since 2004, at Geonet since 2008, and at the Cruzan Facility since 2008. St. Croix projects have involved wastewater engineering and discharge permitting, CZM permitting, solid waste and hazardous waste management, and negotiations with the EPA and the DPNR. ENVIRON has a license to do business on St. Croix and has ongoing project work with the major industries on island.

Maguire Group, Inc., Christiansted, St. Croix (the “Maguire Group”), is providing the building, CZM and earth change permitting for the Cruzan Project. The Maguire Group has substantial experience in all phases of civil engineering and environmental projects. The Maguire Group is headquartered in Foxborough, Massachusetts, and has 12 offices throughout the northeast United States and the Virgin Islands. It has substantial experience rendering environmental compliance services in the Virgin Islands,

including in connection with the location of the proposed Diageo Project facilities on St. Croix. The Maguire Group has provided, and is currently providing, natural resource evaluations, environmental compliance and civil engineering services to the Government of the Virgin Islands and to public and private clients on St. Croix. Notable projects of the Maguire Group on the Virgin Islands include: design of the St. Thomas Wastewater Treatment Plan and the St. Croix Wastewater Treatment Plant; compliance engineering for the St. Thomas Bovoni Landfill; design of the WAPA denitrification system and storage tank on St. Croix; East End Bay watershed erosion control; and construction administration for the WAPA 25 KV line.

ECS, LLC, Frederiksted, St. Croix, is providing geo-technical services related to site specific construction and building permits.

Consulting/Engineering Contracts

In addition to the consultants listed above, Cruzan has engaged HPD, a Veolia Water Solutions & Technologies (“VWS”) company, as the technology provider of the evaporator system for the Cruzan Wastewater Treatment Project. HPD’s services include process design, equipment supply, and start-up and training services. HPD provides innovative process solutions that utilize evaporation and crystallization as well as ceramic membrane technology to industrial customers worldwide. HPD has provided services in connection with more than 675 wastewater treatment installations in over 30 countries. VWS is a leading supplier of engineering and technological solutions in water treatment for industrial companies and municipal authorities.

Construction Contracts

Cruzan will select a Virgin Islands company to be the general contractor for the Cruzan Project. Once final project plans have been completed, the job will be offered in a competitive bid and a general contractor will be retained for construction management services.

By March 1, 2010, Cruzan expects to enter into construction contracts with local engineering, procurement and construction management companies for work in respect of the Cruzan Wastewater Treatment Facility. These local contractors will be supervised and assessed for quality control by the general contractor to be selected for the Cruzan Project.

Compliance with Beam Global Standards

Beam Global and Fortune Brands have a longstanding and strong commitment to environmental sustainability. Beam Global’s Statement of Environmental Stewardship identifies the systems and expectations under which Cruzan and Beam Global operate with respect to conservation of natural resources, emissions from operations and management toward sustainable practices. These principles have helped reduce environmental impact from operations at the Cruzan Facility since Cruzan was acquired by Beam Global in 2008, and will guide Cruzan’s decision-making related to the design and operation of the expanded Cruzan Facility.

Cruzan, Beam Global and Fortune Brands are committed to the pursuit of best practices in resource conservation and environmental management. Beam Global and Cruzan benefit from information sharing as participants in the Distilled Spirits Council of the United States (“DISCUS”), the national trade association representing distilled spirits sold in the United States. The design and operation of the new Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility will comply with DISCUS “Recommended Fire Protection Practices for Distilled Spirits Beverage Facilities.”

Beam Global and Fortune Brands require each facility to implement and maintain an environmental, health and safety management system. Internal management system assessment and external regulatory compliance reviews are conducted on a routine basis. Many Beam Global facilities are currently certified as compliant with the International Standards Organization (“ISO”) standard 14001, the international protocol followed by facilities that desire to reduce their environmental footprint and decrease environmental emissions and waste. ISO 14001 certified facilities uniformly benefit from greater efficiency and operating margins. Cruzan has begun work toward ISO 14001 certification and anticipates becoming ISO 14001 certified by the end of 2010.

Beam Global and Fortune Brands are insured by Factory Mutual Global (“FM Global”). FM Global inspects the Cruzan Facility annually to ensure it is being properly operated and maintained. FM Global also is involved in the design of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility, with the goal of applying building standards that protect against seismic, wind, flooding and other natural risks in the design and construction of the facilities.

Beam Global and Fortune Brands also are members of the Beverage Industry Environmental Roundtable (“BIER”), composed of leading global producers of distilled spirits, beer, wine, soft drinks, bottled water and juice, that focuses on performance benchmarking and best practices sharing regarding production operations and associated environmental impacts. The current focus of BIER is water usage benchmarking, water footprinting and greenhouse gas emissions inventory development.

Beam Global and Fortune Brands are also members of the Distillery Safety Director Association (“DSDA”), composed of leading producers of distilled spirits. The current focus of DSDA is safety performance benchmarking and property protection.

DIAGEO

General

In order to significantly expand the rum industry in the Virgin Islands, the Government entered into the Diageo Agreement with Diageo USVI. Pursuant to the Diageo Agreement, in exchange for various economic development incentives, Diageo USVI agreed to develop in St. Croix (i) a distillery for the production of bulk rum used in the production of Captain Morgan branded products sold in the United States, with the capacity to produce at least 18 million proof gallons of rum per year (the “Diageo Distillery”), together with an on site washwater treatment facility (the “Diageo Washwater Treatment Facility”), and (ii) barrel maturation warehouse facilities for the storage of rum, with 200,000 square feet of barrel warehouse capacity (the “Diageo Warehouses”).

The Diageo Project consists of the Diageo Distillery, the Diageo Washwater Treatment Facility and the Diageo Warehouses, to be constructed on two separate parcels of land in Christiansted, St. Croix and to be owned and operated by Diageo USVI. The Diageo Project also will include all related utilities, transportation improvements and facilities necessary and appurtenant thereto. The Government has made a grant to Diageo USVI to finance substantially all of the costs of the design, construction and start-up of operations of the Diageo Project. See “ – The Diageo Agreement” and “ – The Diageo Project”.

The Diageo Group

Diageo plc (“Diageo plc”) and the entities that are controlled by or directly or indirectly owned in whole or in part by Diageo plc (collectively referred to herein as the “Diageo Group”) constitute the world’s leading premium drinks business with a broad collection of beverage alcohol brands across spirits, wine and beer categories. Members of the Diageo Group other than Diageo USVI are not legally or contractually obligated to support any of the obligations of Diageo USVI under the Diageo Agreement or otherwise, except as described below under “ – Diageo Holdings Comfort Letter.”

Diageo USVI. Diageo USVI is a corporation duly organized and validly existing under the laws of the Virgin Islands. Diageo USVI was formed in June 2008, for the purpose of owning and operating the Diageo Project. Diageo USVI is a direct, wholly-owned subsidiary of Selviac Nederland B.V. (“Selviac”). Selviac’s shares are held by Diageo Holdings Netherlands B.V. (“Diageo Holdings”), whose ultimate parent company is Diageo plc. Diageo Holdings’ net profit for year 2008 was \$314 million. As of June 30, 2008, Diageo Holdings had total assets of approximately \$34.4 billion, share capital of approximately \$7.6 million (at a rate of €1.58), share premium of approximately \$18.7 billion, retained earnings of approximately \$1.9 million and current liabilities of approximately \$13.8 billion.

Diageo plc. Diageo plc is incorporated as a public limited company in England and Wales and its principal executive office is located in London. It is a major participant in the branded beverage alcohol industry and operates on an international scale, producing and/or distributing internationally known brands including Smirnoff vodka, Johnnie Walker scotch whiskey, Guinness stout, Baileys Irish Cream, J&B scotch whiskey, Jose Cuervo tequila, Tanqueray gin, Ketel One vodka, Crown Royal Canadian whiskey, Beaulieu Vineyards and Sterling Vineyards wines, Bushmills Irish whiskey as well as Myers and Captain Morgan rums. It currently expects to continue to invest in global brands, expand internationally and launch innovative new products and brands.

Diageo Holdings Comfort Letter. Pursuant to a Comfort Letter dated June 17, 2008, issued by Diageo Holdings (the “Comfort Letter”), Diageo Holdings acknowledged and consented to the Diageo Agreement and stated its intention to continue to support Diageo USVI for such time as any financial obligations or performance obligations may be owed by Diageo USVI under the Diageo Agreement.

While Diageo Holdings has provided the Comfort Letter with respect to the payment obligations of Diageo USVI, none of Diageo plc, Diageo Holdings nor any other corporate affiliate of Diageo plc, except Diageo USVI, is legally obligated to make any payments pursuant to the Comfort Letter, the Diageo Agreement or otherwise.

The Diageo Agreement

Pursuant to the Diageo Agreement, Diageo USVI agreed to build and operate the Diageo Project, in return for certain economic development incentives from the Government, including: (i) a grant of up to \$250 million to pay the cost of the Diageo Project; (ii) reductions or elimination of certain taxes otherwise due from Diageo USVI including corporate income tax, taxes on all dividends and interest Diageo USVI otherwise may be required to pay, taxes on all real property or any interest in real property to the extent such property is used for the Diageo Project, gross receipts taxes, all excise or similar taxes on materials and equipment utilized in the Diageo Project, customs duties on raw materials and component parts imported into the Virgin Islands for use in developing and constructing the Diageo Project; and (iii) receipt of annual payments to pay the costs of (x) a molasses subsidy, (y) marketing efforts for the Captain Morgan brand rum and (z) production incentive payments in the event that Diageo Matching Fund Revenues in any Fiscal Year beginning in Fiscal Year 2012, exceed certain production thresholds, all of which are capped at a maximum percent of Diageo Matching Fund Revenues in any year.

In exchange for such incentives, in addition to agreeing to develop the Diageo Project, Diageo USVI agreed (i) that on or about January 1, 2012, or earlier if so decided by Diageo USVI, all bulk rum used in the production of Captain Morgan branded products sold in the United States will be produced at the Diageo Distillery, (ii) to minimum rum production thresholds starting at 1.5 million proof gallons in Fiscal Year 2012, and (iii) to certain liquidated damages payable to the Government in the event there is a material default of Diageo USVI's obligation to meet certain rum production thresholds within the timeframes set forth in the Diageo Agreement and the Diageo Agreement is terminated.

The Diageo Agreement also provides that, after making annual deposits to satisfy debt service payable on the Diageo Matching Fund Revenue Bonds and to replenish the debt service reserve account related to those bonds, between 49.5% and 57% of the Diageo Matching Fund Revenues, depending on the number of proof gallons of rum produced by Diageo USVI in the preceding year, will be deposited into the Government Account.

If the amount of the Cover Over Rate is reduced below the level of \$10.50 per proof gallon or the economic development incentives provided by the Government to Diageo USVI are reduced or unavailable, Diageo USVI has the right to terminate the Diageo Agreement, in each case without the payment of liquidated damages. The Diageo Agreement expires 30 years from the later of (i) its effective date of July 10, 2008, the date that the Virgin Islands Legislature ratified the Diageo Agreement, or (ii) the date on which no Diageo Matching Fund Revenue Bonds remain outstanding, but is subject to extension at the option of Diageo USVI for an additional 30-year term.

The Diageo Project

Diageo Distillery and Diageo Washwater Treatment Facility

The Diageo Distillery and the Diageo Washwater Treatment Facility will be constructed on approximately 26 acres of land (the "Diageo Distillery Site") at the St. Croix Renaissance Industrial Park (the "Park"), a 1200-acre industrial park owned by the St. Croix Renaissance Group LLP ("Renaissance") located on the southern coast of St. Croix. When fully operational at maximum capacity, the Diageo

Distillery will have capacity to produce 20 million proof gallons of rum per year at a production rate of 80,000 liters per day on the basis of 200 to 250 days per year of operation. The Diageo Distillery Site also will house an administrative office, a laboratory and work space and amenities for up to 70 employees. Construction of the Diageo Distillery includes the development of two separate plots at the Diageo Distillery Site with a molasses receiving area, a main distillery and ancillary operations.

Construction of the Diageo Washwater Treatment Facility includes the development of a plot at the Diageo Distillery Site with all equipment and systems employed for the treatment of the Diageo Distillery effluents (washwater).

Lease Agreement. Diageo USVI has executed a lease agreement with Renaissance to lease the Diageo Distillery Site. The lease agreement provides for a leasehold term of up to 60 years assuming the exercise of five optional 10-year extensions, which are at the sole discretion of Diageo USVI (provided that no monetary event of default shall have occurred and be continuing). These options allow Diageo USVI, at its sole discretion, to maintain possession of the Diageo Distillery Site throughout the 60-year period of the lease agreement.

Diageo USVI also has the option to lease additional land adjacent to the Diageo Distillery Site should additional production capacity be needed in the future, provided that Renaissance and Diageo USVI mutually agree upon the location of a vacant parcel of real property at the Park. By locating the Diageo Distillery in the Park, the Diageo Project will benefit from existing infrastructure, including access to port and certain existing permits. The Park is zoned for heavy industry, which permits distillery use.

The Diageo Warehouses

Diageo USVI plans to build two warehouses on 20.1 acres of land located at Plot 25 Estate Diamond, Prince Quarter (the “Diageo Warehouse Site”), located approximately four miles from the Diageo Distillery Site. On November 10, 2008, Diageo USVI entered into a sale and purchase agreement for the acquisition of the Diageo Warehouse Site. Following the completion of diligence review, Diageo USVI acquired the Diageo Warehouse Site in May 2009. The zoning of the Diageo Warehouse Site is designated as “C-Commercial”, which allows for warehouse use. The facilities to be constructed on the Diageo Warehouse Site will provide 200,000 square feet of barrel warehousing capacity. The bulk rum produced in the Diageo Distillery will be warehoused in maturation barrels at the Diageo Warehouse. After maturation, the rum will be returned to the Diageo Distillery and transferred to isotankers or other vessels for shipment to the United States.

Construction Cost and Schedule

Diageo USVI estimates the cost of construction of the Diageo Project to be approximately \$184 million. The construction contracts for each of the Diageo Distillery, the Diageo Washwater Treatment Facility and the Diageo Warehouses were awarded in March 2009. The consulting and engineering contracts for the Diageo Distillery and the Diageo Washwater Treatment Facility were executed in May 2009, and the contract for the Diageo Warehouses was entered into in July 2009.

Construction of the Diageo Project is scheduled to be completed by November 2010, with the production of rum scheduled to commence at the same time. The first shipment of rum to the United States is expected to occur on or about January 1, 2012.

The following table outlines the current construction schedule for the Diageo Project.

	CY 09												C10												C11																		
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F																	
Distillery & Washwater	Final Engineering																																										
	Permits				Site Work																																						
	Building & Structural																																										
	Equipment Installation																																										
													Start-Up																														
																	Production																										
Warehousing	WHSE Permits				WHSE Implementation																																						

Required Permits

Diageo USVI is required to obtain certain governmental permits and approvals in connection with the construction and operation of the Diageo Project. Diageo USVI has obtained all permits and approvals required to commence construction. A number of other permits and approvals will be required for the operational phase of the Diageo Project and Diageo USVI expects to obtain all such permits and approvals in a timely fashion. The following is a brief description of each of the major permits required for the Diageo Project.

CZM Permit. On April 8, 2009, the CZM committee of DPNR granted the CZM permit to Diageo USVI for the Diageo Distillery, which will be located in the first tier of the coastal zone. On September 4, 2009, Diageo filed a request for modification of its CZM permit to reflect minor changes made to the Diageo Facility (the “Request for Modifications”). The CZM committee of DPNR approved the Request for Modifications on September 25, 2009. The Diageo Warehouses will not be located in the first tier of the coastal zone and therefore do not require a CZM permit.

Synthetic Minor Air Pollution. The Diageo Distillery will be located in an industrial area that contains multiple major sources of emissions, including the Anguilla Landfill, Renaissance and HOVENSA. Since emissions from the Diageo Distillery of each of the criteria pollutants will be less than 100 tons per year and the aggregate emissions of hazardous air pollutants will be less than 10 tons per year, the Diageo Distillery falls into the category of “minor source” as defined by DPNR. Therefore, DPNR issued the CZM permit for the Diageo Distillery without requiring Title V or Prevention of Significant Deterioration of Air Quality (“PSD”) review. Diageo submitted an application to DPNR for approval of a Synthetic Minor Air Pollution permit for the Diageo Distillery in January 2009, and supplemented it in June 2009. DPNR is evaluating the application and preparing a draft permit, however, since DPNR has not previously issued a permit for a Synthetic Minor Air Pollution, DPNR has requested guidance from the EPA regarding jurisdiction. The Synthetic Minor Air Pollution permit is required before emission sources may be installed or operated at the Diageo Distillery. With respect to the Diageo Warehouses, DPNR has agreed that emissions from wooden barrels during the aging process of spirits are fugitive, therefore, a PSD or Title V construction permit will not be required for the construction of the Diageo Warehouses.

TPDES Permit. The DPNR issued to Diageo USVI the Grading and Clearing TPDES permit for the discharge of stormwater during construction of the Diageo Distillery in April 2009. DPNR issued the TPDES Construction permit for the discharge of stormwater during operation of the Diageo Distillery in July 2009. Diageo USVI submitted an amended application for the TPDES Construction permit to reflect the changes in the Request for Modification, which was approved by DPNR on October 21, 2009.

Terminal License Application. The DPNR requires a Terminal Facility License be obtained by anyone seeking to operate any vessel that results in the discharge of oil, petroleum products or their by-products, and other pollutants into or upon any coastal waters adjoining the seacoast of the Virgin Islands. As currently configured, the Diageo Project will require a Terminal Facility License for the shipment of molasses to the Diageo Distillery Site. Minor repairs to the west pier at the St. Croix Molasses Pier are necessary before the pier can be certified as adequate to receive the molasses shipments and the Terminal Facility License can be issued. Diageo USVI has prepared a draft Terminal Facility License application for submission to DPNR and will submit it as soon as the repairs to the St. Croix Molasses Pier have been completed.

FAA Construction and Alteration Approval. The Federal Aviation Administration (“FAA”) requires the filing of notice 30 days in advance of construction or alteration of projects affecting navigable airspace. Because of the location of the Diageo Project in close proximity to the Henry E. Rohlsen Airport on St. Croix, Diageo USVI submitted a preliminary notice of the project to the FAA, which granted approval on July 3, 2009.

VISHPO – Archeology Phases. The VISHPO is responsible for surveying and inventorying historic places and sites to ensure compliance with federal and territorial preservation laws, historic preservation planning, securing of technical assistance, implementing of public education and identifying of cultural resources. Phase I archeological surveys were conducted at both the Diageo Distillery Site and the Diageo Warehouse Site. The survey at the Diageo Warehouse Site resulted in a finding of no historical resources. The survey at the Diageo Distillery Site revealed the presence of historical resources. The Phase II archeological data recovery phase was completed and approved on March 2, 2009. Phase III was completed on June 30, 2009, and the VISHPO issued a finding of no objection to the release of the archaeological site on July 3, 2009, allowing the construction of the Diageo Distillery to proceed.

Fire Protection. In December 2008, Diageo USVI submitted to the Virgin Island Fire Department (“VIFD”) the basic design for fire protection at the Diageo Distillery Site. VIFD has orally communicated to Diageo USVI that it has no objection to the basic design that Diageo USVI submitted. Upon receipt of the final construction documents, the VIFD will issue final approval. Diageo USVI expects to submit the final construction documents to VIFD eight weeks after commencement of construction. Diageo USVI will submit to the VIFD for approval the basic design for fire protection at the Diageo Warehouse Site once such design plans are completed, which is expected during the first quarter of 2010.

Water Connection. In February 2009, Diageo USVI received preliminary approval and a commitment from WAPA that WAPA will provide water to each of the Diageo Distillery Site and the Diageo Warehouse Site, but the final approval is subject to the design approval of the connection itself. Diageo USVI expects to submit connection designs for each of the Diageo Distillery and the Diageo Warehouses to WAPA four weeks after commencement of construction.

Sewer Connection. In December 2008, Diageo USVI submitted to the VIWMA the basic design for sanitary sewer connection at the Diageo Distillery Site. Upon receipt of the final construction documents, the VIWMA will issue the final approval. Diageo USVI expects to submit the final construction documents to the VIWMA four weeks after commencement of construction.

Diageo USVI received solid waste approval from VIWMA in December 2008, and expects to submit an application for a Special Waste Disposal Permit during pilot testing, once the Diageo Distillery is completed.

Diageo USVI will submit to VIWMA for approval the basic design for sewer connection at the Diageo Warehouse Site once such design plans are completed, which is currently expected during the first quarter of 2010.

Building Permit. Obtaining the CZM permit and the TPDES permit are conditions to applying for the building permit from the DPNR. In addition, DPNR must receive full construction documents before issuing the building permit. Diageo USVI expects to submit final construction documents to the DPNR before finalizing the site work at both the Diageo Distillery Site and the Diageo Warehouse Site.

Land Clearing Permit for Diageo Warehouse Site. Diageo USVI received the Land Clearing Permit required to clear brush, shrubs and other low lying vegetation on the Diageo Warehouse Site on April 22, 2009. The Diageo Warehouse Site has been cleared for survey. The CZM permit allows for similar land clearing at the Diageo Distillery Site.

Earth Change Major Land Permit for Diageo Warehouse Site. An Earth Change Major Land Permit application was required to authorize contouring of the land to accommodate the design for the Diageo Warehouses. DPNR approved the permit on July 30, 2009. The CZM permit authorizes similar changes to the landscape at the Diageo Distillery Site.

Consulting/Engineering Contracts

Engineering and Project Management. Diageo USVI engaged the Dennis Group, LLC (the “Dennis Group”) to assist with the early planning of the construction of the Diageo Project. With the assistance of the Dennis Group, Diageo USVI issued turnkey bids for the engineering and construction of the Diageo Distillery and the engineering and construction of the Diageo Warehouses pursuant to two separate requests for quotations.

Owner’s Engineer. Diageo USVI engaged the U.S. affiliate of the Project Management Limited (“PM Group”) to serve as the owner’s engineer (the “Owner’s Engineer”) and provide professional engineering and project management services to ensure the Diageo Project is delivered to the agreed scope, on-time and within budget.

Environmental Engineering and Permit Consulting. Diageo USVI engaged the Maguire Group to provide Diageo USVI with environmental consulting as well as permit consulting and preparation.

Construction Contracts

Diageo Distillery Construction Contract. In May 2009, Diageo USVI entered into engineering, procurement and construction agreements with Tomsa Destil, S.L. and its affiliates (collectively, “Tomsa”) for the design, the procurement of equipment for and the construction, on a fixed-price lump sum basis, of the Diageo Distillery on the Diageo Distillery Site (the “Tomsa Agreements”). Tomsa was selected based on its extensive experience with distillery design. Tomsa is an internationally recognized expert in the vacuum distillation process. Tomsa has designed and installed equipment on five continents, using all types of raw materials, to produce a variety of alcohol. Tomsa also will procure all equipment and materials required for its work and be responsible for all costs associated with expediting, insurance, transportation, export and import of such equipment.

Diageo Wastewater Treatment Facility Construction Contract. In May 2009, Diageo USVI entered into engineering, procurement and construction agreements with NAWS Caribbean, LLC, a United States Virgin Islands subsidiary of Veolia Water Solutions & Technologies, and with its affiliates (collectively, “Veolia”), for the design, the procurement of equipment for and the construction, on a

fixed-price lump sum basis, of the Diageo Washwater Treatment Facility on the Diageo Distillery Site (the “Veolia Agreements”). Veolia was selected based on its more than 70 years of specialized experience in water treatment design and build projects, as well as on its experience in the Virgin Islands, with a particular emphasis in St. Croix.

Diageo Warehouse Facility Construction Contract. In July 2009, Diageo USVI entered into a contract with J. Benton Construction, LLC (“Benton”) for the turn-key design, engineering, procurement and construction of the barrel warehouse facilities on the Diageo Warehouse Site (the “Benton Agreement”). J. Benton Construction, LLC of Christiansted, St. Croix was selected based on their extensive experience with design/build, construction management and general contracting services in the Virgin Islands, with a particular emphasis in St. Croix.

Management/Service Contracts

Each of Diageo North America, Inc., Diageo Supply Americas, Inc. (“Diageo Supply”) and Diageo Canada, Inc. has entered into an agreement with Diageo USVI to provide management services in the construction and start-up phase of the Diageo Project, including project general administration, treasury and financial services, corporate relations, information technology and legal, human resources and other corporate services. Oversight of the construction and operation of the Diageo Distillery and the Diageo Warehouses will be managed internally by Diageo staff, each of which has a number of years of experience in project management, engineering and operations in the alcohol beverage industry.

Utilities, Services and Materials

Diageo USVI has arranged, or expects to arrange before commencement of operations, for the provision of all utilities, services and consumable materials needed to operate the Diageo Project, including electricity, fuel oil, steam, potable water, cooling water, sanitary sewer, solid waste disposal, stormwater management and steam generation.

Insurance Coverage during Construction

Each of the Tomsa Agreements and the Veolia Agreements imposes standard insurance requirements on each company to maintain liability and other types of insurance generally required for construction projects of the size and scope similar to the Diageo Project.

Insurance Coverage During Operation

Upon completion of the Diageo Project, and throughout the term of its operation, Diageo USVI shall be responsible for maintaining insurance on the Diageo Project. Pursuant to the Diageo Agreement, Diageo USVI has agreed to maintain commercially reasonable insurance (either as part of Diageo plc’s global insurance program or on a stand-alone basis) against the risks of hurricane, earthquake, fire or other damage to the Diageo Project that might result in a commercially significant reduction in the output of rum that can be produced at the Diageo Project. Furthermore, Diageo USVI has agreed to rebuild the Diageo Project as soon as possible following the occurrence of an event that is insurable at the time of occurrence of the event at commercially reasonable rates.

THE U.S. SPIRITS INDUSTRY

According to the Beverage Information Group's 2008/2009 Liquor Handbook (February 2009) (the "Liquor Handbook"), in 2008, total distilled spirits consumption in the United States increased 2.1% from 2007 to 185.5 million 9-liter cases. This gain marks the eleventh consecutive year of volume growth for the distilled spirits industry. Volume growth is forecasted to continue over the next five years. Total distilled spirits consumption is expected to reach 188.0 million 9-liter cases by the end of 2009, which is an increase of 1.3% from 2008. The Liquor Handbook is a comprehensive sources of information on U.S. spirits and sales trends. It includes consumption and projection information by category and by market, tracks leading brands, and reports historical data.

Two important historical trends cited in the Liquor Handbook include the more than 10 years of rapid expansion by above-premium tier spirits. Another more recent trend noted is that the majority of market launches in 2007 involved either fruit flavors or high-quality or reserve line extensions across almost every spirits category. New flavors are not only stimulating growth in categories like vodka and rum, but also are influencing other categories.

Continued downward pressure on the U.S. economy has had little negative impact on Total Beverage Alcohol ("TBA") growth, but has slowed growth in ultra premium spirits. Although 2008 was actually the low point, with TBA servings growth estimated at 1.7% in 2009, TBA servings growth is expected to rise slightly to 2.0% in 2009. While the current economic environment has dampened growth in the premium sector across all consumer goods, it has not halted the demand for premium products. Premium and ultra premium tiers are expected to continue to outperform the overall market and drive growth in spirits. Although ultra premium spirits growth is estimated to have slowed to 3.5% in 2008, and is forecast to be slightly higher in 2009, at 3.7%, these growth rates are expected to outpace the lower tiers of spirits. Beer growth is expected to return to the more historical level of around 1% growth, but will continue to lose share to spirits and wine. Long-term demographics and consumer trends remain favorable for premium spirits and wine.

THE RUM INDUSTRY

The rum industry has sustained growth since the mid-1990's. The U.S. rum consumption has risen for thirteen consecutive years since 1995. The U.S. rum category has had cumulative annual growth rate ("CAGR") of 2.4% over this time period. The two leading brands in the premium category are Bacardi and Captain Morgan, and the rum for both brands is currently produced in Puerto Rico. Diageo North America, Inc. has been steadily increasing its share of the rum market due to the strong growth of Captain Morgan, which has enjoyed a CAGR of 8.4% in volume over the last five years. In fact, Captain Morgan continues to have the strongest growth rate among the Top 10 Premium Spirit Brands. In 2008, it had a global growth rate of 6%, following a growth rate of 7% in 2007. In 2007, Captain Morgan was the third largest spirits brand in the United States.

Beam Global's leading brand, Cruzan, also has been gaining market share. With average annual growth rate of 11.5% between 2002 and 2008, Cruzan's market share has increased from 1.8% to 2.6%. In 2009, Cruzan's market share has remained steady at 2.5%. Cruzan's Light and Dark rum variants had notable sales growth, posting 7% and 8% gains respectively. Additionally, Cruzan's super-premium variant, Cruzan Single Barrel, has been very successful, growing at 20.2% over the past year. Cruzan Single Barrel also earned honors at the 2009 International Review of Spirits competition having been identified as the "Best Aged Rum."

This transition to premium brands has mirrored the nation's demographics as the now-aging baby boom generation dominates consumption, replacing the habits of the previous generations. Meanwhile, succeeding cohorts have more disposable income and have clearly driven the bar and restaurant market for premium cocktails. Total whiskey consumption, including American and imported, has declined while rum and vodka consumption has increased. Rum's share of the market has increased each year since 1992.

Distilled Spirits Market Share

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Whiskeys	27.5%	26.8%	26.1%	25.5%	24.9%	24.6%
U.S. Whiskeys	11.8	11.6	11.4	11.2	10.9	10.9
Scotch	5.7	5.5	5.3	5.1	5.0	4.9
Other Whiskeys ¹	10.0	9.7	9.4	9.2	9.0	8.9
Non-Whiskeys	72.5%	73.2%	73.9%	74.5%	75.1%	75.2%
Rums	12.3	12.6	12.9	12.9	13.2	13.3
Vodka	26.2	26.7	27.1	28.0	28.9	29.7
Gin	6.9	6.6	6.4	6.2	6.2	6.1
Others ²	27.1	27.3	27.5	27.4	26.8	26.5

NOTE: Numbers may not add to totals due to rounding.

¹ Includes Canadian and Irish Whiskeys.

² Includes brandies, cordials, liqueurs, tequila and prepared cocktails.

Source: 2008/2009 Adams Liquor Handbook.

Rum Production in the Virgin Islands

Rum currently produced in the Virgin Islands is exported to the United States mainland, primarily in bulk, and sold to local and regional bottlers and rectifiers for sale under a variety of private label and regional brand names, and to certain other bottlers for use in prepared cocktails, liqueurs and drink mixes. In recent years, Virgin Islands rum also has entered the more lucrative branded segment. Approximately 7.12 million proof gallons of rum were exported from the Virgin Islands to the United States in calendar year 2008.

Cruzan

All of the rum currently produced in the Virgin Islands is distilled by Cruzan. Total production capacity at the Cruzan Facility is approximately 10,600,000 proof gallons per year. For Fiscal Year 2009, shipments from Cruzan to the U.S. were approximately 9,600,000 proof gallons.

Pursuant to the Cruzan Agreement, the Government has agreed to provide certain economic development incentives to Cruzan, including the grant to finance the costs of the Cruzan Project. In exchange for those incentives, Cruzan has agreed, subject to certain conditions, to undertake the Cruzan Project and to distill at the Cruzan Facility all Bulk Rum, Branded Rum and Ronrico Rum for sale in the United States for the term of the Cruzan Agreement.

Diageo

The Government and Diageo USVI have entered into the Diageo Agreement pursuant to which Diageo USVI has agreed to construct and operate a rum production and storage facility on St. Croix and to produce in the Virgin Islands all rum used in Captain Morgan branded products sold in the U.S. beginning in January 1, 2012. Currently, all rum used in Captain Morgan branded products sold in the U.S. is procured through an exclusive supply contract with a Puerto Rican third-party supplier, which expires on December 31, 2011. In accordance with the Diageo Agreement, upon completion of the Diageo Project, Diageo USVI will begin the production of rum that will be used to manufacture all Captain Morgan branded products sold in the U.S. beginning in January 2012 in St. Croix. See “DIAGEO – The Diageo Agreement.”

Based on current projections from Diageo USVI, the Government expects Diageo USVI to produce 9 million proof gallons of rum in Fiscal Year 2012 and reach capacity of 18 million proof gallons in Fiscal Year 2024. Assuming a Cover Over Rate of \$13.25 per proof gallon, Diageo Matching Fund Revenues should be approximately \$119 million in Fiscal Year 2012 and approximately \$239 million in Fiscal Year 2024.

Molasses Subsidy Payments

Molasses, the principal ingredient of rum, is a commodity traded in the international commodity markets. The price of molasses is therefore subject to fluctuation based upon supply and demand. All of the molasses used by Cruzan and expected to be used by Cruzan and Diageo USVI is purchased on such commodity markets from sources outside the Virgin Islands.

The Government maintains a program, first established in 1967, by which it stabilizes the cost of molasses to Virgin Islands rum producers to compensate for the demise of the local sugar cane industry and ensure the competitive pricing of rum produced in the Virgin Islands. The effect of the molasses subsidy payments is to maintain the competitive position of Virgin Islands rum producers relative to the rum producers in other countries where local molasses supplies are readily available.

The following table sets forth the molasses subsidies that have been provided by the Government to the Virgin Islands rum producers since 1997. The molasses subsidy payments in Fiscal Years 2007 through 2009 were higher than in previous years due to the significant increase in the cost of fuel, resulting in an increase in shipping costs, the purchase of a larger quantity of hi-test molasses instead of blackstrap molasses in an effort to reduce the negative environmental impact from rum manufacturing waste disposal, and the purchase of a larger quantity of molasses due to increased demand for rum.

Molasses Subsidy Payments
Fiscal Years 1997 - 2009

<u>Fiscal Year</u>	<u>Molasses Gallons</u>	<u>Amount of Molasses Subsidy</u>
1997	5,296,588	\$ 2,175,536
1998	8,289,330	1,300,000
1999	7,763,675	2,969,725
2000	8,790,630	1,955,253
2001	8,622,054	2,570,733
2002	8,607,398	2,558,300
2003	6,765,893	3,477,651
2004	7,065,528	4,000,000
2005	7,214,391	4,400,000
2006	8,731,734	6,900,000
2007	8,322,254	8,373,642
2008	9,089,615	11,678,678
2009	11,035,074	15,312,338

The molasses subsidy is administered by the Commissioner of Finance through the establishment of a legislatively mandated Molasses Subsidy Fund. The Molasses Subsidy Fund consists of amounts appropriated from time to time by the Legislature exclusively for such purpose. Amounts available in the Molasses Subsidy Fund are requisitioned by Cruzan on a quarterly basis by certified vouchers to the Commissioner of Finance upon receipt of each molasses shipment. The Commissioner of Finance verifies the accuracy of such vouchers and makes payment to Cruzan to the extent funds are available in the Molasses Subsidy Fund. Prior to execution of the Cruzan Agreement, the Governor included in each Annual Budget submitted for approval to the Legislature a request for an appropriation for the Molasses Subsidy Fund based upon an estimate of molasses to be acquired by local producers for the next Fiscal Year. In the event of a deficiency in the Molasses Subsidy Fund, the Commissioner of Finance would seek legislative appropriation of additional funds, as required, from the Legislature. The Legislature was not obligated to appropriate such amounts, however, the Legislature never failed to appropriate an amount sufficient to satisfy the obligations of the Molasses Subsidy Fund.

The molasses subsidy from the Government to Cruzan and Diageo USVI will be provided directly from Cruzan Matching Fund Revenues through the Molasses Subsidy Payments under the Cruzan Agreement and to Diageo directly from the Diageo Matching Fund Revenues through the molasses subsidy payments under the Diageo Agreement.

Rum Promotion and Marketing Support Payments

The following table shows the rum promotion and marketing support payments made by the Government to Cruzan in support of its rum production efforts over the past five years.

Rum Promotion and Marketing Support Payments Fiscal Years 2005-2009

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u> ¹	<u>2009</u>
Rum Promotion	\$1,982,402	\$2,412,691	\$1,467,769	\$1,487,248	\$2,144,461
Marketing Support	-	-	1,920,980	694,466	3,878,110
Total	<u>\$1,982,402</u>	<u>\$2,412,691</u>	<u>\$3,388,749</u>	<u>\$2,181,714</u>	<u>\$6,022,571</u>

¹ Marketing support payments made in Fiscal Year 2008 were significantly lower than in prior years as a result of an invoice being billed late and the actual payment not being made by the Government until Fiscal Year 2009.

Source: United States Virgin Islands Office of Management and Budget.

St. Croix Molasses Pier

In 1999, the Government completed construction of the St. Croix Molasses Pier, which has increased the capacity for deliveries and storing of molasses and has improved the safety and availability of molasses cargoes to the island of St. Croix. The improvements consist of the construction of a 560 foot sheet pile bulkhead, dredging of the harbor to a depth of 32 feet, construction of a concrete apron for loading and unloading the tankers, installation of apron lighting and potable water lines, security fencing, asphalt and molasses pipelines and a partial roadway complete with lighting and signage. A highway connecting the St. Croix Molasses Pier to the Container Port was completed in 2002. The on-pier molasses storage capacity for Cruzan currently is three million gallons.

The St. Croix Molasses Pier improvements have allowed the docking of larger cargo vessels and the delivery of larger molasses shipments thereby reducing the per gallon shipping cost of imported molasses. It is expected that these improvements will enable the Government to continue to provide favorable conditions within the Virgin Islands for both producers of rum to maintain their competitiveness in the United States rum market.

Notwithstanding the improvements to the St. Croix Molasses Pier, Diageo USVI currently intends to utilize the pier facilities at the Park for the delivery of its molasses shipments, which facilities are reasonably expected to accommodate all of Diageo USVI's needs.

CERTAIN BONDHOLDER RISKS

THE PURCHASE AND OWNERSHIP OF THE SERIES 2009A BONDS MAY INVOLVE INVESTMENT RISKS. PROSPECTIVE PURCHASERS OF THE SERIES 2009A BONDS ARE URGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY. THIS SECTION ENTITLED “CERTAIN BONDHOLDER RISKS” DOES NOT PURPORT TO PROVIDE INVESTORS WITH A COMPREHENSIVE ENUMERATION OF ALL POSSIBLE INVESTMENT RISKS. THE FACTORS SET FORTH BELOW, AMONG OTHERS, MAY AFFECT THE SECURITY FOR THE SERIES 2009A BONDS. IN ADDITION TO POSSIBLE ADVERSE EFFECTS ON SECURITY FOR THE SERIES 2009A BONDS, PURCHASERS SHOULD BE AWARE THAT THESE FACTORS, AMONG OTHERS, MAY ADVERSELY AFFECT THE MARKET PRICE OF THE SERIES 2009A BONDS IN THE SECONDARY MARKET. SEE ALSO “SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS.”

Cruzan Matching Fund Revenues Sole Security for the Series 2009A Loan Note

The Series 2009A Bonds are secured solely by the Cruzan Trust Estate, including the Series 2009A Loan Note. The Series 2009A Loan Note is a special limited obligation of the Government. The Government has not pledged its full faith and credit to the payment of the Series 2009A Loan Note. The Series 2009A Loan Note is secured solely by the Cruzan Matching Fund Revenues, which are derived solely from the sale of rum produced by Cruzan and exported to the United States. If Cruzan fails to meet its production targets, Cruzan Matching Fund Revenues will be less than projected and may not be sufficient to pay debt service on the Senior Bonds and the Series 2009A Bonds.

There can be no assurance that the United States Congress will not reduce the rate of the federal excise tax that qualifies for transfer to the Government under the applicable provisions of the Revised Organic Act and the Code or that the Congress will not amend or eliminate the federal excise tax. There also can be no assurance as to the amount of local duties, taxes and fees which will be collected by the United States Treasury and Customs and which would be available for transfer to the Government. See “MATCHING FUND REVENUES.”

Prior Lien on Cruzan Matching Fund Revenues

Senior Bonds issued by the Authority under the Senior Indenture have a prior lien on all Matching Fund Revenues, including the Cruzan Matching Fund Revenues. Currently, Matching Fund Revenues are derived solely from the export by Cruzan of rum to the mainland United States, therefore, Cruzan Matching Fund Revenues will be applied for payments pursuant to the Senior Indenture prior to their application to payments pursuant to the Subordinated Indenture. No Diageo Matching Fund Revenues are pledged to, or can be used to pay debt service on, the Series 2009A Bonds.

Cruzan Project Risks

Construction and Completion Risks

Cruzan plans to build the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility, however, there can be no assurance that the Cruzan Project will be completed on time or within budget. Delays in the commencement of rum production could delay exports of rum to the U.S. mainland and the collection of the Cruzan Matching Fund Revenues.

Pursuant to the Cruzan Agreement, the Government agreed to provide a grant to Cruzan of up to \$35 million for the costs of the Cruzan Wastewater Treatment Project and up to \$70 million for the costs of the Cruzan Expansion Project. The total cost of the Cruzan Project is currently estimated at approximately \$105 million. Final design plans for the Cruzan Project have not been completed. The completion of the design plans may result in additional costs associated with the construction of the Cruzan Project. If the cost of the Cruzan Project were to exceed \$105 million, no assurances can be given that Cruzan would complete, or would have the resources to complete, the Cruzan Project or that the Authority or the Legislature would make additional funds available for completion of the Cruzan Project.

Required Permits

Cruzan currently does not have all required Virgin Islands and federal permits to proceed with and complete the development and construction of the Cruzan Project. Certain permits frequently take a significant amount of time to obtain. If Cruzan pursues design plans that materially deviate from those contained in permit applications Cruzan has submitted or in permits Cruzan has already obtained, Cruzan may be required to obtain permit amendments or submit new permit applications. Additionally, some permits may be issued with conditions, the compliance with which could result in delays to construction as well as additional costs. No assurances can be given that Cruzan will receive all necessary permits or that all necessary permits will be received in time to complete the construction and commence operation of the Cruzan Project as planned in 2010, so that the export of rum can commence as planned in 2012. Delay in the completion of the Cruzan Project and related inability to generate additional Cruzan Matching Fund Revenues could adversely affect the Authority's ability to pay debt service on the Series 2009A Bonds and any additional Bonds issued to pay a portion of the costs of the Cruzan Project.

Environmental Risk

Cruzan has been notified by the EPA that the discharge from its distillery operations may be harmful to certain marine life exposed to the discharge. Cruzan, the Government, the EPA and the DPNR have reached an agreement regarding mitigation measures that, once implemented as part of the Cruzan Wastewater Treatment Project, will result in the cessation of Cruzan's effluent discharge into the ocean. In order to renew Cruzan's TPDES Permit, which expires on February 28, 2013, Cruzan must complete the design and engineering phase of the Cruzan Wastewater Treatment Project by March 1, 2010, construction by December 1, 2011, and implementation by March 1, 2012. There can be no assurance that Cruzan will meet the required timelines.

Operational Risk

The Series 2009A Bonds are payable solely from the Cruzan Matching Fund Revenues. Any interruption of production of rum at the Cruzan Distillery could cause a reduction in Cruzan Matching Fund Revenues and an inability of the Authority to pay debt service on the Series 2009A Bonds. See "THE CRUZAN PROJECT – Cruzan Wastewater Treatment Project." Cruzan is not obligated to pay debt service on the Series 2009A Bonds.

Insurance Coverage

Each of the construction contracts that will be in place in connection with the Cruzan Project will require the contractors to maintain liability and other types of insurance generally required for construction projects of the size and scope similar to the Cruzan Project. There is no assurance, however, that the insurance coverage required under the construction contracts will be maintained by the contractors or be sufficient to cover Cruzan from all loss that can occur during the construction period. There also is no assurance that the insurance coverage Cruzan will have in place once the Cruzan Project

is constructed and operating will be sufficient to cover Cruzan's loss in revenues or the Government's loss in the receipt of Cruzan Matching Fund Revenues that can occur due to a material interruption in production of rum at the Cruzan Facility.

Government's Obligation to Make Payments and Conditions to Cruzan's Obligations Under the Cruzan Agreement

The Government is obligated to make certain annual payments and provide certain economic development incentives to Cruzan under the Cruzan Agreement. All such payments pursuant to the Cruzan Agreement will be made by the Cruzan Special Escrow Agent in accordance with the terms of the Cruzan Special Escrow Agreement. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2009A BONDS – Special Escrow Agreement" and " – Cruzan Special Escrow Agreement and Cruzan Project Implementation Agreement." The Government has never failed to provide economic development incentives as agreed upon. If the Government fails to make the required payments or provide the required benefits to Cruzan, Cruzan can terminate the Cruzan Agreement without paying liquidated damages in accordance with the provisions of the Cruzan Agreement. If the Cover Over Rate is reduced to below \$10.50 per proof gallon for a period of more than one year, Cruzan also can terminate the Cruzan Agreement without paying liquidated damages in accordance with the provisions of the Cruzan Agreement. See APPENDIX E – "Cruzan Agreement." In either event, there would be no source of revenues to pay debt service on the Series 2009A Bonds.

Liquidated Damages Under the Cruzan Agreement

While the Government is entitled to liquidated damages pursuant to the Cruzan Agreement under certain circumstances including in the event of a Material Default (as defined in the Cruzan Agreement) by Cruzan and the termination of the Cruzan Agreement, and the Government has agreed to make any liquidated damages available to pay the debt service on the Series 2009A Bonds in the Cruzan Project Implementation Agreement, such payments are not included in the Cruzan Trust Estate and are not pledged to holders of the Series 2009A Bonds.

Limitation of Remedies

The Subordinated Indenture does not provide for acceleration of the Bonds, including the Series 2009A Bonds, if an Event of Default occurs and is continuing.

Outside Factors

The state of the world and/or the U.S. economy, particularly a recession, increased costs of raw materials for construction, fuel or personnel, terrorist attacks and international hostilities, among other things, could have an adverse impact on the Cruzan Facility or the Diageo Project in ways that may not be anticipated and currently cannot be quantified, all of which could adversely affect the Authority's ability to pay debt service on the Series 2009A Bonds because the payment of debt service on the Series 2009A Bonds is subordinate to the payment of debt service on the Senior Bonds and any additional bonds issued under the Senior Indenture.

Seismic Risks and Other Natural Disasters

Since September 1989, the Virgin Islands has been affected by two major hurricanes that caused significant damage on all three islands, and three less severe storms. Although historically significant hurricanes had occurred in average intervals of 12 to 15 years, between 1916 and 1989 there had been no major hurricanes. The Virgin Islands, which is in “Seismic Zone 3”, also experiences earthquake tremors from time to time, including one measuring 3.3 on the Richter Scale in March 2007, one measuring 4.0 in June 2007 and one measuring 4.5 in April 2009. There has not been, however, a major earthquake since the early 1900s. A “Seismic Zone 3” region is an area in immediate proximity to a major fault system. Damage from an earthquake in such a zone can include the collapse of buildings and other structures that are not designed to seismic standards.

If a hurricane were to strike or an earthquake to occur causing significant damage to the Cruzan Facilities or the Diageo Project, no assurance can be given as to how much time would be required to resume production and export of rum from either or both plants. Significant delays could adversely affect the Authority’s ability to pay debt service on the Series 2009A Bonds because the payment of debt service on the Series 2009A Bonds is subordinate to the payment of debt service on the Senior Bonds and any additional bonds issued under the Senior Indenture.

Limited Production Source

All the rum currently produced in the Virgin Islands is produced by a single producer, Cruzan. The ownership of Cruzan has changed six times in the past 25 years. No assurance can be given that the current owner or any future owner will continue rum production in the Virgin Islands. There also can be no assurance that another producer, in addition to Cruzan and Diageo USVI, will not enter the bulk rum market and compete with Cruzan or Diageo USVI or that Cruzan or Diageo USVI will maintain their current and planned production levels. See “THE RUM INDUSTRY.”

Demand for Rum

The distilled spirits industry generally embarked on a period of expansion in the past decade. The rum industry has exhibited robust growth in market share during this period and in particular there has been growth in premium brand products and flavored spirits. In 2008, total distilled spirits consumption in the United States increased 2.1% from 2007 to 185.5 million 9-liter cases. This gain marks the eleventh consecutive year of volume growth for the distilled spirits industry and volume growth is forecasted to continue over the next five years. Rum’s share of the distilled spirits market has increased every year since 1992. Since 1995, rum consumption in volume has never increased at less than a 3.7% annual rate. Rum consumption grew from 22.0 million cases in 2005, to 24.6 million cases in 2008, an increase of 11.4% (or 5.4% per year over 1994). Total distilled spirits consumption grew by less than 2.4% over that time span. Both Cruzan and Diageo USVI expect to expand their production capacity and increase their market share, and the Cruzan Agreement and the Diageo Agreement are designed to promote and reward such increased production. No assurance can be given, however, as to the future level of consumption of distilled spirits, or rum consumption, or the future market share to be garnered by Virgin Islands rum. See “THE U.S. SPIRITS INDUSTRY” and “THE RUM INDUSTRY.”

Fluctuating Price, Availability and Subsidy on Molasses

Molasses, the principal ingredient of rum, is a commodity traded in the international commodity markets. The market price of molasses is therefore subject to fluctuation based upon supply and demand. Substantially all of the molasses used for Virgin Islands rum production is purchased on such commodity markets from sources outside the Virgin Islands. While the Government has provided a subsidy to stabilize the price of molasses and has covenanted to take actions necessary to maintain the subsidy in the future, and in the case of Cruzan and Diageo USVI, has contractually obligated itself to make subsidy payments to these rum producers as long as the respective agreements with the producers remain in effect, there can be no assurance that such subsidy will be available in the future, that the Virgin Islands Legislature, if required, will appropriate such funds in the future, or that funds will be available for appropriation; provided that the molasses subsidy for Diageo USVI is not subject to appropriation by the Legislature. There also can be no assurance that molasses will be available for the Virgin Islands rum production in the international commodity markets or, if available, will be at a price that the Government can afford to subsidize. Moreover, no assurances can be given as to the continued viability of Cruzan, Diageo USVI or other Virgin Islands rum producers in the event that the molasses subsidy payments are decreased or discontinued in the future. See “THE RUM INDUSTRY.”

Competing Facility

Currently Cruzan Rum is the only rum produced in the Virgin Islands. Cruzan currently produces bulk rum and, although Diageo USVI plans to produce bulk rum at its facility in the Virgin Islands, Diageo USVI currently plans to use a significant portion of that bulk rum for the production of all of its Captain Morgan branded products to be sold in the United States beginning in 2012. Should the production plans of either company change so that they compete for market share, no assurance can be given that such action would not adversely affect rum production in the Virgin Islands and exports to the U.S., causing a reduction in the amount of Cruzan Matching Fund Revenues available to pay debt service on the Series 2009A Bonds.

Diageo Project Risks

There can be no assurance that the Diageo Project will be completed on time. Any delay in production or interruption of production of rum at the Diageo Distillery could cause a delay in collection, or a reduction of, Diageo Matching Fund Revenues and an inability of the Authority to pay debt service on the Senior Bonds, which may affect the Authority’s ability to pay debt service on the Series 2009A Bonds. See “MATCHING FUND REVENUES” and “DIAGEO – The Diageo Project.” Diageo is not obligated to pay debt service on the Senior Bonds, the Diageo Matching Fund Revenue Bonds or the Series 2009A Bonds.

Proposed Legislation

In April 2009, Puerto Rico’s Resident Commissioner to the U.S. House of Representatives introduced legislation, H.R. 2122, that would limit the amount of any subsidy paid from Matching Fund Revenues by either the Virgin Islands or by Puerto Rico to any private company to a maximum of ten percent (10%) of such revenues. The proposed legislation provides that, if the Secretary of the Treasury finds that either of the two governments has provided a subsidy greater than 10%, the amount in excess of 10% shall be paid over to the treasury of the government not providing the subsidy. The proposed legislation has seven co-sponsors and has been referred to the House Ways and Means Committee but no hearings have been scheduled and no further action has been taken on it. If the proposed legislation were in effect today, a portion of the benefits to be received by Cruzan and Diageo USVI from the Government

under the Cruzan Agreement and the Diageo Agreement, respectively, would be inconsistent with the law.

Change in Law

There can be no assurance that the United States Congress will not reduce the rate of the federal excise tax that qualifies for transfer to the Government under the applicable provisions of the Revised Organic Act and the Code or that the Congress will not amend or eliminate the federal excise tax. If the Cover Over Rate is reduced below \$10.50 per proof gallon, Cruzan and Diageo USVI are permitted to terminate the Cruzan Agreement and the Diageo Agreement, respectively, and are not required to pay liquidated damages. There also can be no assurance as to the amount of local duties, taxes and fees which will be collected by the Treasury and Customs and which would be available for transfer to the Government. See “MATCHING FUND REVENUES.”

From time to time, legislation is proposed that may have an adverse effect on the Matching Fund Revenues or the Diageo Agreement. See “MATCHING FUND REVENUES – Proposed Legislation.”

Matching Fund Revenues Payment Procedures

Section 1645 of Title 48 of the United States Code, as amended (P. L. 95-348) (“Section 1645”), which provides for annual prepayments of Matching Fund Revenues to the Government, was enacted in 1978 and establishes procedures which are inconsistent with previously enacted Section 7652 of the Code that provides for quarterly payments of Matching Fund Revenues. The legislative history of Section 1645 contains indications of an intent to amend the Code; however, this was not reflected in the final version of Section 1645, as adopted. DOI and Treasury have consistently followed Section 1645 since 1978. There can be no assurance that these payment procedures will not be changed by statute or otherwise.

Federal Bankruptcy Code Presently Inapplicable

The Bankruptcy Reform Act of 1978, Title 11, United States Code, as amended (the “Federal Bankruptcy Code”), provides a codified regime for the reorganization, liquidation or debt adjustment of various types of insolvent debtors. Generally, only a “person” or a “municipality” may be debtor in a case under the Federal Bankruptcy Code. The term “person” includes individuals, partnerships and corporations, but does *not* include any “governmental unit.” For purposes of the Federal Bankruptcy Code, a governmental unit which cannot file for protection under the Federal Bankruptcy Code, would be (i) a Territory, such as the Government, or (ii) an instrumentality of a Territory, such as the Authority. The term “municipality” is defined to mean a political subdivision or public agency or instrumentality of a State. Therefore, neither the Government nor the Authority may be a debtor in a case under the Federal Bankruptcy Code. Consequently, no Bondholder would be able to avail itself of Federal Bankruptcy Code provisions protecting rights of creditors since the Government and the Authority are both “governmental units” and neither of them is a “person” or a “municipality” for purposes thereof. Since neither the Authority nor the Government is subject to the Federal Bankruptcy Code, there can be no assurance as to how the pledge of Matching Fund Revenues would be treated by a court of law in the event of an insolvency or other inability to pay debt by the Government or the Authority.

LITIGATION

There is no litigation pending or, to the best of the knowledge of the Authority or the Government, threatened (i) seeking to restrain or enjoin the issuance of the Series 2009A Bonds or the collection of the Cruzan Matching Fund Revenues pledged under the Indenture, (ii) in any way contesting or affecting the authority for the issuance of the Series 2009A Bonds or the validity or the binding effect

of the Series 2009A Bonds, the resolutions of the Authority authorizing and implementing the Series 2009A Bonds or the Indenture, the Series 2009A Loan Agreement or the Series 2009A Loan Note or (iii) in any way contesting the creation, existence, powers or jurisdiction of the Authority or the validity or the effect of the Cruzan Agreement, the Series 2009A Loan Agreement or the Series 2009A Loan Note or the application of the proceeds of the Series 2009A Bonds for the purposes planned.

TAX MATTERS

General

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Series 2009A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code and is not included in the adjusted current earnings of corporations for purposes of calculating the alternative minimum tax. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Series 2009A Bonds, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Series 2009A Bonds from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2009A Bonds is exempt from personal income tax imposed by the Virgin Islands, or by any state, territory, or possession or by any political subdivision thereof or by the District of Columbia.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Series 2009A Bonds. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses 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 2009A 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 2009A Bonds in order that interest on the Series 2009A 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 2009A 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 2009A 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 Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2009A 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 2009A Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Series 2009A 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 2009A Bonds.

The Series 2009A Bonds are not taken into account (subject to certain limitations) in determining the portion of a financial institution's interest expense subject to the pro rata interest disallowance rule of Section 265(b) of the Code for costs of indebtedness incurred or continued to purchase or carry certain tax-exempt obligations. The Series 2009A Bonds, however, are taken into account in the calculation of the amount of a financial institution's preference items under Section 291 of the Code.

Prospective owners of the Series 2009A 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 excluded from gross income for Federal income tax purposes. Interest on the Series 2009A 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 2009A 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 2009A 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 2009A Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any Series 2009A 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 Series 2009A 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 2009A 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 2009A 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 2009A 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 (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). 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.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Series 2009A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification”, or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding”, which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2009A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series 2009A Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Series 2009A Bonds under Federal or state law and could affect the market price or marketability of the Series 2009A Bonds.

Prospective purchasers of the Series 2009A Bonds should consult their own tax advisors regarding the foregoing matters.

FINANCIAL STATEMENTS

Audited financial statements of the Government for the Fiscal Year ended September 30, 2007, and the Audited financial statements of the Authority for the fiscal year ended September 30, 2008, are available from the Government or the Authority, as applicable, the Municipal Securities Rulemaking Board (the “MSRB”) and Digital Assurance Certification, L.L.C., the dissemination agent responsible for maintaining the Authority’s compliance with its continuing disclosure undertaking with respect to the Series 2009A Bonds. See “CONTINUING DISCLOSURE; DISCLOSURE DISSEMINATION.”

The Series 2009A Bonds are secured solely by the Cruzan Trust Estate established under the Subordinated Indenture, including amounts payable to the Authority by the Government under the Series 2009A Loan Note. Such amounts are to be derived solely from Cruzan Matching Fund Revenues. The audited financial statements of the Government and the audited financial statements of the Authority do not contain detailed information regarding Matching Fund Revenues or the Series 2009A Bonds. The Series 2009A Bonds do not constitute a general obligation of the Government or the Authority. Consequently, the audited financial statements of the Government and the Authority may be of limited relevance to a prospective purchaser of the Series 2009A Bonds.

VERIFICATION

IHS Global Insight (USA), Inc., an economic consulting firm, has been engaged to verify Matching Fund Revenues received by the Government from Fiscal Year 1992 through Fiscal Year 2009, and to project Matching Fund Revenues for Fiscal Year 2010 through Fiscal Year 2038. See APPENDIX G – “Verification and Projection of Matching Fund Revenues from Rum Shipments to the U.S.”

LEGAL OPINIONS

Certain legal matters incident to the issuance of the Series 2009A Bonds are subject to the approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Authority. The approving opinion of Bond Counsel, substantially in the form set forth in APPENDIX J hereto, is to be furnished upon delivery of the Series 2009A Bonds. Bond Counsel’s approving opinion does not express any opinion with respect to information in this Official Statement. However, Bond Counsel will deliver an opinion at closing addressed solely to the Underwriters for their purposes which opinion will address the accuracy of certain information in this Official Statement. Certain legal matters will be passed upon for the Authority by its counsel, Birch, deJongh & Hindels PLLC, St. Thomas, Virgin Islands, for Cruzan by its General Counsel and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Washington, D.C.

FINANCIAL ADVISOR

The Authority has retained Fiscal Strategies Group of Swarthmore, Pennsylvania, as financial advisor in connection with the issuance of the Series 2009A Bonds. Although Fiscal Strategies Group has assisted in the preparation of this Official Statement, Fiscal Strategies Group is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE; DISCLOSURE DISSEMINATION

Continuing Disclosure

The Authority has covenanted, and the Government has acknowledged and accepted, for the benefit of Bondholders, to provide certain financial and operating information relating to the Authority and the Government by not later than 270 days following the end of the Authority's Fiscal Year beginning with the Fiscal Year ending September 30, 2010 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Authority with the MSRB. In addition, the Authority has covenanted to provide within forty-five (45) days of the end of each quarter of each Fiscal Year, quarterly summaries of the information provided by the Virgin Islands Bureau of Alcohol Control Board on rum shipments and excise taxes collected as reported by the Bureau of Alcohol, Tobacco and Firearms submitted to DOI with respect to Matching Fund Revenues (the "Quarterly Report"). The specific nature of the information to be contained in the Annual Report, the Quarterly Report and the notices of material events is summarized in APPENDIX H – "FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE AUTHORITY." These covenants have been made in order to assist the Underwriters in complying with the United States Securities and Exchange Commission Rule 15c2-12 (the "Rule").

During construction of the Cruzan Wastewater Treatment Project, Cruzan will provide quarterly updates on construction progress of the Cruzan Wastewater Treatment Project against the plans for completion of construction by September 1, 2011. Cruzan also will promptly provide information with respect to any interruption of production that could materially adversely affect the supply of rum products to be sold by Cruzan in the U.S. and any material deviation from the production plans set forth in the Cruzan Agreement.

During construction of the Diageo Project and until the commencement of rum exportation from the Virgin Islands to the U.S. mainland, Diageo USVI will provide: (i) quarterly updates on construction progress of the Diageo Project against the plans for completion of construction by November 2010; (ii) confirmation that distillation of the rum at the Diageo Distillery has commenced as planned by November 2010; (iii) information with regard to any changes in the date for commencement of exportation of rum from the Virgin Islands to the U.S. mainland; and (iv) confirmation when exportation from the Virgin Islands begins, specifying the number of proof gallons of bulk rum initially exported and whether such quantities are consistent with the production plans set forth in the Diageo Agreement. After the Diageo Project becomes fully operational, Diageo USVI promptly will provide information with respect to any material interruption of production that could materially adversely affect the supply of rum used to manufacture Captain Morgan branded products to be sold in the U.S. and any material deviation from the production plans set forth in the Diageo Agreement.

Disclosure Dissemination Agent

In order to provide certain continuing disclosure with respect to the Series 2009A Bonds in accordance with the Rule, the Authority has entered into a Disclosure Dissemination Agent Agreement (the "Disclosure Dissemination Agreement") for the benefit of the Bondholders with Digital Assurance Certification, L.L.C. ("DAC" or "Disclosure Dissemination Agent"), under which the Authority has designated DAC as its disclosure dissemination agent.

The Disclosure Dissemination Agent has only the duties specifically set forth in the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the Authority has provided such information to the Disclosure Dissemination Agent as required by

the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent has no duty or obligation to review or verify any information in the Annual Reports, Quarterly Reports, audited financial statements, notice of Notice Event or Voluntary Report (in each case as such terms are defined in the Disclosure Dissemination Agreement), or any other information, disclosures or notices provided to it by the Authority and shall not be deemed to be acting in any fiduciary capacity for the Authority, the Government, the Bondholders or any other party. The Disclosure Dissemination Agent has no responsibility for the Authority's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine or liability for failing to determine whether the Authority or the Government has complied with the Disclosure Dissemination Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Authority at all times.

Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be filed with the Electronic Municipal Markets Access ("EMMA") system in electronic format, at www.emma.msrb.org.

RATINGS

Fitch Ratings Inc. and Moody's Investor Service, Inc. have assigned the Series 2009A Bonds an underlying rating of "BBB-" and "Baa3", respectively.

A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the Rating Agency giving such rating and is not a recommendation to buy, sell or hold the Series 2009A Bonds. An explanation of the procedure and methodology used by each Rating Agency and the significance of the above ratings may be obtained from the Rating Agencies. The above ratings may be changed at any time and there is no assurance that either rating will continue for any given period of time or that either rating will not be revised downward or withdrawn entirely by the Rating Agency furnishing the same, if in the judgment of such Rating Agency, circumstances so warrant. Any such downward revision or withdrawal of either rating is likely to have an adverse effect on the market price of the Series 2009A Bonds.

UNDERWRITING

The Series 2009A Bonds are being purchased by Citigroup Global Markets Inc., as the representative of the underwriters (the "Underwriters") named in the Bond Purchase Agreement entered into by and between the Authority and the Underwriters dated December 8, 2009 (the "Bond Purchase Agreement"). The purchase price payable by the Underwriters for the Series 2009A Bonds is \$38,999,786.87 (representing the \$39,190,000 par amount of the Series 2009A Bonds, plus net original issue premium of \$115,288.80, less an underwriting discount of \$305,501.93). The Underwriters are obligated to purchase all of the Series 2009A Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering price and other terms respecting the offering and sale of the Series 2009A Bonds may be changed from time to time by the Underwriters after the Series 2009A Bonds are released for sale, and the Series 2009A Bonds may be offered and sold at prices other than the initial offering price, including sales to certain dealers (including dealers who may sell the Series 2009A Bonds into investment accounts, some of which may be managed by the Underwriters) and certain dealer banks and banks acting as agents.

APPENDIX A

GLOSSARY OF CERTAIN DEFINED TERMS

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APPENDIX A

GLOSSARY OF CERTAIN DEFINED TERMS

Certain terms used in the Subordinated Indenture, the First Supplemental Subordinated Indenture, the Cruzan Special Escrow Agreement and the Series 2009A Loan Agreement are defined below unless otherwise defined herein or the context clearly indicates otherwise. When and if such terms are used in this Official Statement they shall have the meanings set forth below. Any capitalized term used in this Official Statement regarding the Subordinated Indenture, the Supplemental Subordinated Indentures, the Special Escrow Agreement and the Loan Agreement and not defined herein shall have the meaning given such term by the Subordinated Indenture, the Supplemental Subordinated Indentures, the Special Escrow Agreement and the Loan Agreement.

“Accreted Value” means with respect to any Subordinated Bond that is a Subordinated Capital Appreciation Bond, for each authorized denomination, an amount equal to the principal amount of such Subordinated Capital Appreciation Bond (determined on the basis of the initial offering price for such denomination at maturity thereof) plus the amount of earnings which would be produced on the investment of such principal amount, assuming compounding (as set forth in the applicable Supplemental Subordinated Indenture) beginning on the dated date of such Subordinated Capital Appreciation Bond and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce an amount equal to such denomination at maturity. As of any Valuation Date, the Accreted Value of any Subordinated Capital Appreciation Bond means the amount set forth for such date in the applicable Supplemental Subordinated Indenture authorizing such Subordinated Bond and as of any date other than a Valuation Date, the sum of (i) the Accreted Value on the preceding Valuation Date and (ii) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, using for such calculation 30 day months and a 360 day year and (2) the difference between the Accreted Values for such Valuation Dates.

“Act” means, collectively, the Virgin Islands Revised Organic Act of 1954, as amended (48 U.S.C. §1574 et seq.), the laws of the Virgin Islands including Title 29, Chapter 15, of the Virgin Islands Code, 1988 V.I. Act 5365 and 2009 V.I. Act 7127, and other applicable law, as the same may be amended from time to time.

“Act of Bankruptcy” means (i) the entity under consideration shall have applied for or consented to the appointment of a custodian, receiver, trustee or liquidator of all or substantially all of its assets; (ii) a custodian shall have been appointed with or without consent of such entity; (iii) such entity has made a general assignment for the benefit of creditors, or has filed a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any insolvency law; (iv) such entity has filed an answer admitting the material allegations of a petition in any bankruptcy, reorganization or insolvency proceeding, or taken any action for the purpose of effecting any of the foregoing; (v) a petition in bankruptcy shall have been filed against such entity and shall not have been dismissed for a period of 60 consecutive days; (vi) an order for relief has been entered under the Bankruptcy Code with respect to such entity; (vii) an order, judgment or decree shall have been entered, without the application, approval or consent of such entity by any court of competent jurisdiction approving a petition seeking reorganization of such entity or appointing a receiver, trustee, custodian or liquidator of such entity or substantially all of its assets, and such order, judgment or

decree shall have continued unstayed and in effect for any period of 60 consecutive days; or (viii) such entity shall have suspended the transaction of its usual business.

“Additional Subordinated Revenue Bonds” means Subordinated Revenue Bonds other than the Initial Series of Subordinated Revenue Bonds.

“Adjusted Debt Service Requirement” means, for any period, as of any date of calculation, the aggregate Debt Service on Outstanding Senior Lien Bonds or Outstanding Second Lien Bonds, for such period taking into account the following adjustments:

(i) With respect to Subordinated Revenue Bonds that bear interest at a Variable Interest Rate, the aggregate Debt Service thereon is determined as if each such Bond bore interest at the Certified Interest Rate; provided, however, (1) if the Authority (A) enters into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a fixed interest rate on a notional amount, and (B) has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for a particular maturity of Subordinated Revenue Bonds in a principal amount equal to the notional amount of the Qualified Swap Agreement then during the term of such Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement, the interest rate on such Subordinated Revenue Bonds shall be determined as if such Subordinated Revenue Bonds bore interest at the fixed interest rate payable by the Authority under such Qualified Swap Agreement, and (2) if (A) Subordinated Revenue Bonds of a specific maturity within a Series bear interest at a Variable Interest Rate and Subordinated Revenue Bonds which bear interest at a Variable Interest Rate of another Series with the same maturity are issued in an equal principal amount to the first such Series of Subordinated Revenue Bonds of the same maturity and (B) the Variable Interest Rate of the first Series of such Subordinated Revenue Bonds varies inversely to the Variable Interest Rate of the second Series of such Subordinated Revenue Bonds of the same maturity so that the combined interest rate for the aggregate principal amount of such Subordinated Revenue Bonds of the same specific maturity for both such Series is determined by the Authority to result in a combined fixed interest rate, then so long as the same principal amount of each maturity of such Series of Subordinated Revenue Bonds remain Outstanding, the aggregate Debt Service thereon shall be determined as if all such Variable Rate Subordinated Revenue Bonds of such Series and maturity bore interest at the combined fixed interest rate so determined by the Authority with respect to such aggregate principal amount of such Subordinated Revenue Bonds.

(ii) With respect to Fixed Interest Rate Subordinated Revenue Bonds, if the Authority (1) enters into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay a variable interest rate on a notional amount and (2) has made a determination that such Qualified Swap Agreement was entered into for the purpose of providing substitute interest payments for a particular maturity of Subordinated Revenue Bonds in a principal amount equal to the notional amount of the Qualified Swap Agreement, then during the term of such Qualified Swap Agreement and so long as the Swap Provider under such Qualified Swap Agreement is not in default under such Qualified Swap Agreement, the interest rate on such Subordinated Revenue Bonds is determined as if such Subordinated Revenue Bonds bore interest at the Certified Interest Rate on the notional amount of such Subordinated Revenue Bonds.

(iii) Except to the extent described in (iv) below, with respect to Subordinated Revenue Bonds secured by a Credit Facility, the aggregate Debt Service thereon shall be deemed to include all periodic Bond Related Costs and other payments to (including any payments required to reimburse) the related Credit Provider (including any Debt Service Reserve Account

Credit Provider), but shall not include any amounts payable as principal of and interest and premium with respect to any reimbursement obligation to such Credit Provider except and to the extent that such payments on such reimbursement obligation are required to be made to the Credit Provider in excess of any corresponding Debt Service with respect to such Subordinated Revenue Bonds during such period.

(iv) With respect to Optional Tender Subordinated Revenue Bonds, the aggregate Debt Service thereon shall not include any amounts payable to a Credit Provider pursuant to any reimbursement obligation arising as the result of the payment of any purchase price with respect to such Subordinated Revenue Bonds on a Purchase Date except to the extent that, and for any period during which, the Authority is obligated to reimburse the Credit Provider for payments made by such Credit Provider directly or indirectly in satisfaction of any obligation to purchase such Subordinated Revenue Bonds on any Purchase Date following the application of any proceeds of any remarketing of such Subordinated Revenue Bonds.

(v) The aggregate Debt Service for any period on any Subordinated Revenue Bonds shall not include (1) any interest which is payable from Capitalized Interest which is to be transferred to the Debt Service Reserve Accounts for payment of interest on such Subordinated Revenue Bonds or (2) the amount of Debt Service on Subordinated Revenue Bonds to be paid from amounts in a Debt Service Reserve Account at the time of such computation for the period in question, but only if any such amount described in (1) or (2) is available and is to be applied under the applicable Supplemental Subordinated Indenture to make interest payments on such Subordinated Revenue Bonds when due.

(vi) If the Authority enters into a Qualified Swap Agreement with a Swap Provider requiring the Authority to pay any amount in excess of the amount to be received by the Authority in connection therewith for the period for which any calculation of Adjusted Debt Service Requirements is to be made under the Subordinated Indenture, then, to the extent not taken into account in (i) and (ii) above, the net amount of such payments which may be required of the Authority (using the Certified Interest Rate or its equivalent for such purpose if such amount is subject to any variation and excluding any breakage fees or termination payments paid by the Authority) shall be included in Adjusted Debt Service Requirements.

For purposes of this definition of Adjusted Debt Service Requirements, the principal and interest portions of the Accreted Value of Subordinated Capital Appreciation Bonds and the Appreciated Value of any Subordinated Deferred Interest Bonds becoming due at maturity or by virtue of Mandatory Sinking Fund Requirements shall be included in the calculation of accrued and unpaid and accruing interest or principal installments on the date on which or for the period during which such amounts become due and payable unless otherwise specified in the Supplemental Subordinated Indenture authorizing such Subordinated Capital Appreciation Bonds or Subordinated Deferred Interest Bonds.

“Aggregate Debt Service” for any period means, as of any date of calculation, the sum of the amounts of Debt Service for such period with respect to the Subordinated Revenue Bonds.

“Annual Administrative Fee” means the amount authorized to be transferred annually from the Senior Lien Expense Subaccount and the Second Lien Expense Subaccount to the Authority to pay the Authority’s expenses in accordance with the annual budget approved by the Board of the Authority.

“Annual Debt Service” means, as of any date of calculation with respect to a specified Bond Year, Debt Service plus any premium, if any, payable for the Subordinated Revenue Bonds in the respective Bond Year.

“Appreciated Value” means with respect to any Subordinated Bond that is a Subordinated Deferred Interest Bond until the Interest Commencement Date thereon, for each authorized denomination, an amount equal to the principal amount of such Subordinated Deferred Interest Bond (determined on the basis of the initial offering price for such denomination at the Interest Commencement Date thereof) plus the amount, of earnings which would be produced on the investment of such principal amount, assuming compounding (as set forth in the applicable Supplemental Subordinated Indenture) beginning on the dated date of such Subordinated Deferred Interest Bond and ending on the Interest Commencement Date, at a yield which, if produced until the Interest Commencement Date, will produce an amount equal to such denomination at the Interest Commencement Date. As of any Valuation Date, the Appreciated Value of any Subordinated Bond that is a Subordinated Deferred Interest Bond means the amount set forth for such date in the Supplemental Subordinated Indenture authorizing such Subordinated Deferred Interest Bond and as of any date other than a Valuation Date accruing for that period or due and payable on that date, the sum of (i) the Appreciated Value on the preceding Valuation Date and (ii) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date, and (2) the difference between the Appreciated Values for such Valuation Dates.

“Authority” means the Virgin Islands Public Finance Authority, a body corporate and politic constituting a public corporation and autonomous governmental instrumentality of the Government of the Virgin Islands, or, if said Authority shall be abolished, any authority, board, body or officer succeeding to the principal functions thereof.

“Authorized Denominations” shall mean, unless otherwise provided in a Supplemental Subordinated Indenture, (y) \$100,000 or any integral multiple of \$5,000 in excess thereof or (z) \$5,000 or any integral multiple thereof, in the event a Series of Subordinated Revenue Bonds are determined to be an investment grade credit by at least one Rating Agency.

“Authorized Officer” means the Executive Director or Chairman of the Authority or any other person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of the Subordinated Indenture or a Supplemental Subordinated Indenture as set forth therein or in a certificate of the Authority which has been delivered to the Trustee.

“Bankruptcy Code” means Title 11 of the United States Code.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means an attorney or firm of attorneys with nationally recognized expertise in matters relating to the issuance of obligations by states and local governments and political subdivisions thereof.

“Bondowners” shall mean all Owners of Subordinated Revenue Bonds.

“Bond Register” means the register maintained by the Bond Registrar pursuant to the Subordinated Indenture.

“Bond Registrar” means the Trustee, any successor trustee or bond Registrar appointed as Bond Registrar pursuant to the Subordinated Indenture.

“Bond Related Costs” means (i) all costs, fees and expenses of the Authority incurred or reasonably related to any Liquidity Facility, Credit Facility, any remarketing or other secondary market transactions and any Qualified Swap Agreement (whether requiring the Authority to pay fixed or variable amounts and excluding breakage fees on or termination payments under such Qualified Swap Agreements) that the Authority has determined was entered into for the purposes of providing substitute interest payments for a particular Series or maturity of Subordinated Revenue Bonds, (ii) initial and acceptance fees of any Fiduciary together with any fees of Bond Counsel, attorneys, feasibility consultants, engineers, financial advisors, Remarketing Agents, rebate consultants, accountants, underwriters and other advisors retained by the Authority in connection with a Series of Subordinated Revenue Bonds, and (iii) any other fees, charges and expenses that may be lawfully incurred by the Authority relating to Subordinated Revenue Bonds, including, without limitation, any obligation of the Authority to a Credit Provider for a Series of Subordinated Revenue Bonds to repay or reimburse any amounts paid by such Credit Provider due to payment under such Credit Facility and any interest on such repayment obligation.

“Bond Reserve Account” means, collectively, the Senior Lien Debt Service Reserve Account and the Second Lien Debt Service Reserve.

“Bond Resolution” means Resolution No. 09-041, adopted by the Authority on November 24, 2008.

“Bond Service Charges” means for any applicable time period or date, principal of and premium, if any, and interest payments due and the fees, expenses and costs of the Trustee, Bond Registrar and Paying Agent, if any, on any of the Subordinated Revenue Bonds accruing for that period or due and payable on that date. In determining Bond Service Charges accruing for any period or due and payable on any date, Mandatory Sinking Fund Requirements accruing for that period or due on that date shall be included together with any amount required to be paid for the replenishment of any Bond Reserve Account.

“Bond Year” means for each Series of Subordinated Revenue Bonds a period of twelve (12) consecutive months beginning on October 1 in any calendar year and ending on September 30 of the succeeding calendar year; provided that for purposes of Section 148 of the Code the Authority may elect a different Bond Year for any Series of Subordinated Revenue Bonds.

“Business Day” means any day that is not a Saturday, Sunday or legal holiday in the United States Virgin Islands or a day on which the Trustee, the Cruzan Special Escrow Agent or banking institutions organized under the laws of the United States Virgin Islands are legally authorized to close.

“Calculation Agent” shall mean an independent certified public accounting firm to be appointed pursuant to a Calculation Agent Agreement.

“Calculation Agent Agreement” shall mean an agreement to be entered into by and among the Government, the Authority, Diageo, Cruzan, the Trustee, in its capacity as the Diageo Special Escrow Agent and the Cruzan Special Escrow Agent, and the Calculation Agent.

“Capitalized Interest” means that portion of the proceeds of any Series of Subordinated Revenue Bonds together with any available earnings thereon that are intended to be used to pay interest due or to become due on any Subordinated Revenue Bonds.

“Certified Interest Rate” means a rate estimated and certified by the financial advisor to the Authority as the rate that would be borne by a Variable Rate Subordinated Bond if on the date of such certification such Variable Rate Subordinated Bond was issued as a Subordinated Bond bearing interest at a fixed rate to its stated maturity.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a Code section in the Subordinated Indenture shall be deemed to include the Treasury Regulations proposed or in effect thereunder and applicable to the Subordinated Revenue Bonds.

“Completion Bonds” shall have the meaning provided for such term in the Subordinated Indenture.

“Construction Account” means the account of that name established by the Subordinated Indenture.

“Continuing Disclosure Agreement” means the Continuing Disclosure Certificate, dated December 17, 2009, by and among the Government, the Authority, Cruzan and Diageo.

“Corporate Trust Office” means the designated corporate trust office of the Trustee in which the corporate trust business of the Trustee shall, at any particular time, be principally administered, which office is, at the date as of which the Subordinated Indenture is dated, located at The Bank of New York Mellon Trust Company, N.A., 10161 Centurion Parkway, Jacksonville, Florida 32256, Attention: Corporate Trust Administration, Fax: 904-645-1997, except that, with respect to presentation of Subordinated Revenue Bonds for payment or registration of transfer and exchange and the location of the Bond Register, such term means the office or agency of the Bond Registrar in said city at which at any particular time its corporate agency business shall be conducted, which is, at the date as of which the Subordinated Indenture is dated, is a corporate trust office of the Trustee.

“Cost of Issuance” means the items of expense payable or reimbursable directly or indirectly by the Authority related to the sale and issuance of Subordinated Revenue Bonds which items of expense shall include without limiting the generality of the foregoing: travel expenses; printing costs; costs of reproducing documents; computer fees and expenses; filing and recording fees; initial fees and charges of the Trustee; initial fees and charges of Credit Providers or other parties (including specifically providers of bond insurance policies and surety policies) pursuant to remarketing, indexing or similar agreements; underwriters’ fees and discounts; legal fees and charges; auditing fees and expense; financial advisor’s fees and charges; costs of credit ratings; insurance premiums; fees and charges for execution, transportation and safekeeping of Subordinated Revenue Bonds; and other administrative or other costs of issuing, carrying and repaying such Subordinated Revenue Bonds and investing the proceeds thereof.

“Cost of Issuance Account” means the account of that name established by the Subordinated Indenture.

“Counsel’s Opinion” means an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds (who may be counsel to the Authority) selected by the Authority and which opinion shall be reasonably satisfactory to the Trustee.

“Credit Agreement” means any reimbursement agreement or similar instrument between the Authority (and, if so drafted, the Trustee) and a Credit Provider with respect to a Credit Facility.

“Credit Facility” means a letter of credit, surety bond, liquidity facility, insurance policy or comparable instrument furnished by a Credit Provider which is rated in one of the two highest Rating Categories by the Rating Agency rating the Subordinated Revenue Bonds with respect to all or a specific portion of one or more Series of Subordinated Revenue Bonds to secure (a) the payment of Debt Service (which may include the premium due on payment of a Subordinated Bond) on Subordinated Revenue Bonds of a specified Series, or a specific portion thereof, (b) the payment of the Purchase Price (which may include accrued interest to the date of purchase) of Subordinated Revenue Bonds of a specified Series, or a specific portion thereof, on the applicable purchase dates or tender dates, or (c) both the payment of Debt Service on a specified Series of Subordinated Revenue Bonds, or a specific portion thereof, and the payment of Purchase Price.

“Credit Provider” means the bank, insurance company, financial institution or other entity providing a Credit Facility or Liquidity Facility pursuant to a Credit Agreement.

“Cruzan” means Cruzan VIRIL, Ltd., a limited liability corporation, and its affiliates, duly organized and existing under the laws of the United States Virgin Islands.

“Cruzan Agreement” shall mean the Agreement between Cruzan and the Government, dated as of October 6, 2009, as ratified by 2009 V.I. Act 7127 of the Legislature of the Virgin Islands, as the same may be amended and supplemented in accordance with the terms thereof.

“Cruzan Distillery” means the rum distillery located on St. Croix, Virgin Islands.

“Cruzan Expansion Facility” shall mean the improvement and expansion of the Cruzan Distillery in accordance with the terms of the Cruzan Agreement.

“Cruzan Expansion Project” shall mean the acquisition, planning, design, renovation, improvement, development, construction and equipping, as applicable of the Cruzan Expansion Facility to be financed from proceeds of Cruzan Expansion Project Bonds.

“Cruzan Facility(ies)” shall mean collectively, the Cruzan Expansion Facility and the Cruzan Wastewater Treatment Facility.

“Cruzan Funds” means those funds and accounts specified in the Subordinated Indenture.

“Cruzan Matching Fund Revenues” shall mean the amounts to be deposited with the Cruzan Special Escrow Agent on behalf of the Government of the Virgin Islands pursuant to (i) Section 28(b) of the Revised Organic Act, 48 U.S.C. §§ 1574-1574c, as amended, or any successor provisions thereto, and (ii) the Cruzan Agreement and shall consist of (y) any proceeds

and collections from any Matching Fund Loan Notes deposited in the Cruzan Pledged Revenue Account, including any investment earnings thereon, and (z) any proceeds which arise with respect to any disposition of the Cruzan Trust Estate. Cruzan Matching Fund Revenues shall not include (i) any proceeds and collections from the production of rum sold in the United States other than from the Cruzan Facility, (ii) any amounts contributed to the Authority in respect of a project the application of which by the Authority as a Matching Fund Revenue under the Senior Indenture would be contrary to the stated purpose of such contribution, and (iii) interest received on any money or securities (other than in the Construction Fund and the Rebate Fund) held pursuant to the Senior Indenture.

“Cruzan Pledged Revenue Account” shall mean the account of that name established by the Subordinated Indenture.

“Cruzan Project” means collectively, the Cruzan Wastewater Treatment Project, the Cruzan Expansion Project, and such other project as approved by the Government, the Legislature of the Virgin Islands, the Authority and Cruzan, and certain related costs in connection therewith, to be located on St. Croix and described more particularly in the Cruzan Agreement, to be financed with a grant from the Government derived from the proceeds of the Subordinated Revenue Bonds and other funds, if available.

“Cruzan Special Escrow Agreement” means the Cruzan Special Escrow Agreement by and between the Authority, the Cruzan Special Escrow Agent and the Government dated as of December 1, 2009, as the same may be supplemented or amended from time to time.

“Cruzan Special Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., the special escrow agent under the Cruzan Special Escrow Agreement, or any successor thereto.

“Cruzan Special Escrow Fund” means the special escrow fund established under the Cruzan Special Escrow Agreement.

“Cruzan Surplus Receipts Account” means the account as defined in the Cruzan Agreement.

“Cruzan Trust Estate” means the Cruzan Matching Fund Revenues and the rights to receive the same, the tangible and intangible properties, rights and other assets described in the Granting Clauses of the Subordinated Indenture, as from time to time supplemented.

“Cruzan Wastewater Treatment Facility” shall mean the wastewater treatment facility to be located on St. Croix, Virgin Islands.

“Cruzan Wastewater Treatment Project” shall mean the acquisition, planning, design, renovation, improvement, development, construction and equipping of the Cruzan Wastewater Treatment Facility to comply with the terms of the Territorial Pollutant Discharge Elimination System (TPDES) permit, as required under the Cruzan Agreement.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series of Subordinated Revenue Bonds then Outstanding, the Bond Service Charges on such Series. For purposes of this definition, unless provided to the contrary in an applicable Supplemental Subordinated Indenture authorizing the issuance of Subordinated Capital Appreciation Bonds and Subordinated Deferred Interest Bonds, the scheduled principal and

interest portions of the Accreted Value of Subordinated Capital Appreciation Bonds and the Appreciated Value of Subordinated Deferred Interest Bonds becoming due at maturity or by virtue of Mandatory Sinking Fund Requirements shall be included in the calculations of accrued and unpaid and accruing interest or principal payments in the year in which such payments are required to be made.

“Debt Service Account(s)” means the Senior Lien Debt Service Account or the Second Lien Debt Service Account.

“Debt Service Reserve Account” means the Senior Lien Debt Service Reserve Account or the Second Lien Debt Service Reserve Account established in the Subordinated Indenture, as applicable.

“Debt Service Reserve Accounts” means collectively the Senior Lien Debt Service Reserve Account and the Second Lien Debt Service Reserve Account established in the Subordinated Indenture.

“Debt Service Reserve Requirement” means, as of any date of calculation, the sum of the Debt Service Reserve Requirements applicable to Cruzan Bonds then Outstanding. The Debt Service Reserve Requirement may be calculated individually for each Series of Subordinated Revenue Bonds or in the aggregate if more than one Series of Subordinated Revenue Bonds are issued and outstanding at the same time, and as set forth in the applicable Supplemental Subordinated Indenture.

“Defeasance Securities” means

(i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States and obligations fully and unconditionally guaranteed as to timely payment of principal and interest by, the United States. The obligations described in this paragraph are hereinafter called “*United States Government Obligations*”; and

(ii) pre-refunded municipal obligations meeting the following conditions:

- (1) the municipal obligations (A) are not subject to redemption prior to maturity or (2) the trustee has been given irrevocable instructions concerning their call and redemption and the issuer of such municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- (2) the municipal obligations are secured by cash or non-callable United States Government Obligations that may be applied only to interest, principal and premium payments of such municipal obligations;
- (3) the principal of and interest on the United States Government Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”);

- (4) the cash and United States Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for the owners of the municipal obligations;
- (5) no substitution of a United States Government Obligations shall be permitted except with another United States Government Obligations and upon delivery of a new Verification Report; and
- (6) the United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

“Depository” or “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Diageo” shall mean Diageo USVI Inc., a corporation duly organized and existing under the laws of the United States Virgin Islands and its affiliates.

“Diageo Agreement” shall mean the Agreement between Diageo and the Government, dated as of June 17, 2008, as ratified by 2009 V.I. Act 7012 of the Legislature of the Virgin Islands, as the same may be amended and supplemented in accordance with the terms thereof.

“Diageo Matching Fund Revenues” shall mean the amounts to be deposited with the Diageo Special Escrow Agent on behalf of the Government of the Virgin Islands pursuant to (i) Section 28(b) of the Revised Organic Act, 48 U.S.C. §§ 1574-1574c (West 1987), as amended, or any successor provisions thereto, and (ii) the Diageo Agreement and shall consist of (y) any proceeds and collections from any Matching Fund Loan Notes deposited in the Diageo Pledged Revenue Account, including any investment earnings thereon, and (z) any proceeds which arise with respect to any disposition of the Diageo Trust Estate. Diageo Matching Fund Revenues shall not include (i) any proceeds and collections from the production of rum sold in the United States other than from the Diageo Facility, (ii) any amounts contributed to the Authority in respect of a project the application of which by the Authority as a Matching Fund Revenue under the Senior Indenture would be contrary to the stated purpose of such contribution, and (iii) interest received on any money or securities (other than in the Construction Fund and the Rebate Fund) held pursuant to the Senior Indenture.

“Diageo Pledged Revenue Account” shall mean the account of that name established by the Subordinated Indenture.

“Diageo Project” means the acquisition, design, construction and equipping of a fully operational, state-of-the-art facility, including any subsequent improvements, for the production and storage of rum, together with all related utilities and transportation-related improvements and facilities necessary and appurtenant thereto, to be located on St. Croix and described more particularly in the Loan Agreement and in the Diageo Agreement, to be financed with a grant from the Government derived from the proceeds of the Subordinated Revenue Bonds and other funds, if available.

“Diageo Special Escrow Agreement” means the Diageo Special Escrow Agreement by and between the Authority, the Diageo Special Escrow Agent and the Government dated as of June 1, 2009, as the same may be supplemented or amended from time to time.

“Diageo Special Escrow Agent” means The Bank of New York Mellon Trust Company, N.A., the special escrow agent under the Diageo Special Escrow Agreement, or any successor thereto.

“Diageo Special Escrow Fund” means the Special Escrow Fund established under the Diageo Special Escrow Agreement.

“Diageo Subordinated Indenture” means the Subordinated Indenture of Trust, dated as of June 1, 2009, as amended or supplemented from time to time, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee.

“Fiduciary” or “Fiduciaries” means any bank or other organization acting in a fiduciary capacity with respect to any Subordinated Revenue Bonds whether as Trustee, Paying Agent, Bond Registrar, tender agent, escrow agent or any or all of them, as may be appropriate.

“First Supplemental Subordinated Indenture” shall mean the First Supplemental Subordinated Indenture of Trust, dated as of December 1, 2009, between the Authority and the Trustee, supplemental to and amendatory of the Subordinated Indenture of Trust.

“Fiscal Year” means the Authority’s fiscal year, which is presently October 1 to the following September 30.

“Fitch” means Fitch Ratings, or any successor thereof which qualifies as a Rating Agency under the Subordinated Indenture.

“Fixed Interest Rate Bond” means (i) a Subordinated Bond, the interest rate on which is established (with no right to vary) at the time of calculation at a single numerical rate for the remaining term of such Bond, or (ii) all of those Subordinated Revenue Bonds of a specific maturity described in clauses (2)(A) and (B) of paragraph (i) of the definition of Adjusted Debt Service Requirement in the Subordinated Indenture.

“Funds” shall mean those funds and accounts specified in the Subordinated Indenture.

“Government” shall mean the Government of the United States Virgin Islands.

“Government Account” shall mean the Government Account as described in the Cruzan Agreement.

“Independent Counsel” means an attorney, or firm thereof, admitted to practice law before the highest court of any state in the United States of America, the United States Virgin Islands or the District of Columbia and not an employee on a full-time basis of any of the Authority, the Government or Cruzan (but who or which may be regularly retained by any one or more of them).

“Independent Verification Analyst” means a firm retained by the Authority to prepare the certificates required by the Subordinated Indenture in connection with the issuance of Additional Senior Lien Bonds or Additional Second Lien Bonds.

“Initial Series of Subordinated Revenue Bonds” means the Series 2009A Subordinated Revenue Bonds.

“Interest Commencement Date” means, with respect to any particular Subordinated Deferred Interest Bonds, the date specified in the applicable Supplemental Subordinated Indenture authorizing such Subordinated Deferred Interest Bonds (which date must be prior to the maturity date for such Subordinated Deferred Interest Bonds), after which interest accruing on such Subordinated Deferred Interest Bonds shall be payable with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

“Interest Payment Date” means each date specified in a Supplemental Subordinated Indenture as a date for the payment of interest to Owners of Subordinated Revenue Bonds of a specific Series.

“Interest Payment Period” with respect to any Subordinated Bond or Series of Subordinated Revenue Bonds, means, if prior to the first Interest Payment Date, the period from but not including the date specified in each Supplemental Subordinated Indenture as the date for commencement of accrual of interest for such Bond or Series and after the first regularly scheduled Interest Payment Date means the period from but not including a regularly scheduled Interest Payment Date, in each case to and including the next regularly scheduled Interest Payment Date, provided that any Supplemental Subordinated Indenture may adjust this definition with respect to any Subordinated Bond or Series of Subordinated Revenue Bonds authorized to be issued thereunder in order to provide for the proper computation of or the timely transfer of amounts payable with respect to interest borne by such Subordinated Bond or Series of Subordinated Revenue Bonds on any Interest Payment Date.

“Issue Date” means, for the Subordinated Revenue Bonds of a particular Series, the date on which the Subordinated Revenue Bonds of such Series are delivered against payment therefor.

“Letter of Representation” means the Letter of Representation from the Authority to the Depository in substantially the form set forth in Appendix A of the Subordinated Indenture, or in such other form as may be acceptable to the Authority and the Depository.

“Liquidity Facility” means any agreement with a Credit Provider under or pursuant to which it agrees to purchase Optional Tender Subordinated Revenue Bonds provided that the debt obligations of such Credit Provider are rated in one of the two highest Rating Categories by S&P, Moody’s or Fitch.

“Loan Agreement” means one or more loan agreements by and among the Authority, the Trustee and the Government, as the same may from time to time be amended or supplemented in accordance with the terms thereof.

“Mandatory Sinking Fund Requirements” means the principal amount of Term Subordinated Revenue Bonds which are required to be redeemed by mandatory sinking fund

redemption, in the principal amounts at the prices and on the dates as set forth in the applicable Supplemental Subordinated Indenture.

“Mandatory Tender Date” means a date on which a Series of Subordinated Revenue Bonds, or specific Subordinated Revenue Bonds included in such Series, are required to be purchased by, or on behalf of, the Authority as provided in the Subordinated Indenture or in the Supplemental Subordinated Indenture authorizing such Series of Subordinated Revenue Bonds.

“Matching Fund Loan Notes” means, with respect to the Subordinated Revenue Bonds or a Series of Additional Subordinated Revenue Bonds issued by the Authority for the benefit of the Government, each note signed by the Government and delivered to the Authority, and, collectively all such Matching Fund Loan Notes.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“Officer’s Certificate” means a certificate signed by an Authorized Officer.

“Optional Tender Subordinated Revenue Bonds” means any Subordinated Revenue Bonds which by their terms may be tendered by and at the option of, or required to be tendered by, the Owner thereof for payment or purchase by the Authority or another party prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Owner thereof, provided, however, a Supplemental Subordinated Indenture may expressly provide that specific Subordinated Revenue Bonds are not “Optional Tender Subordinated Revenue Bonds” if, in the reasonable judgment of the Authority, the tender requirements of such Subordinated Revenue Bonds are not of the character intended to be included within this definition.

“Outstanding Subordinated Revenue Bonds,” “Subordinated Revenue Bonds Outstanding” and “Subordinated Revenue Bonds then Outstanding” means as of the date of determination, all Subordinated Revenue Bonds theretofore issued and delivered under the Subordinated Indenture as from time to time supplemented except:

(i) Subordinated Revenue Bonds theretofore canceled by the Trustee or Paying Agent or delivered to the Trustee or Paying Agent canceled or for cancellation;

(ii) for which payment or redemption moneys or securities (as provided in the Subordinated Indenture) shall have been theretofore deposited with the Trustee or Paying Agent in trust for the owners of such Subordinated Revenue Bonds; provided, however, that if such Subordinated Revenue Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to the Subordinated Indenture or irrevocable action shall have been taken to call such Subordinated Revenue Bonds for redemption at a stated redemption date;

(iii) Subordinated Revenue Bonds in exchange for or in lieu of which other Subordinated Revenue Bonds shall have been issued and delivered pursuant to the Subordinated Indenture; and

(iv) Optional Tender Subordinated Revenue Bonds deemed tendered in accordance with the provisions of the Supplemental Subordinated Indenture authorizing such Subordinated Revenue Bonds on the applicable tender, adjustment or conversion date, if interest thereon shall have been paid through such applicable date and the purchase price thereof shall have been paid or amounts are available for such payments as provided therein (but not if held for reoffering).

In determining requisite percentages of the Owners of aggregate principal amount of Subordinated Revenue Bonds Outstanding for the purposes of direction, consent, approval or waiver under the terms and provisions of the Subordinated Indenture and any Supplemental Subordinated Indenture: (1) the aggregate “principal amount” of any Subordinated Revenue Bonds that are Subordinated Capital Appreciation Bonds shall be determined by their Accreted Value as of the date of such determination, and (2) the aggregate “principal amount” of any Subordinated Revenue Bonds that are Subordinated Deferred Interest Bonds shall be determined by their Appreciated Value as of the date of such determination and provided, however, that in determining whether the Owners of the requisite principal amount of Outstanding Subordinated Revenue Bonds have given any request, demand, authorization, direction, notice, consent or waiver under the Subordinated Indenture, Subordinated Revenue Bonds owned by the Authority shall be disregarded and deemed not to be Outstanding Subordinated Revenue Bonds, except that in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Subordinated Revenue Bonds which the Trustee knows to be so owned shall be disregarded.

Each Supplemental Subordinated Indenture may further specify the conditions under which a Credit Provider will be deemed the Owner of Outstanding Subordinated Revenue Bonds for purposes of consents to the Subordinated Indenture.

“Owner” or “Bondowner,” or any similar term, means any Person who shall be the registered owner of any Subordinated Bond or Bonds.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Subordinated Revenue Bonds as securities depository.

“Paying Agent” means any commercial bank or trust company organized under the laws of the United States Virgin Islands, any state of the United States, the District of Columbia or the United States of America, or any national banking association designated as Paying Agent for the Subordinated Revenue Bonds, and its successor or successors hereafter appointed in the manner provided in the Subordinated Indenture or a Supplemental Subordinated Indenture.

“Payment Date” means, as to the Subordinated Revenue Bonds, each date upon which a payment of Debt Service is due thereunder.

“Permitted Investments” means any of the following securities, if and to the extent the same are at the time legal for the investment of funds held under the Subordinated Indenture:

- (i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States and obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States;

(ii) (a) direct general obligation of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated in one of the two highest Rating categories for S&P and Moody's, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated, (b) direct general short-term obligations of any state, subdivision or agency thereof described in (a) and rated in one of the two highest Rating Categories for S&P and Moody's, or (c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above which are rated in one of the two highest Rating Categories for S&P and Moody's;

(iii) Defeasance Securities described in clause (ii) of the definition thereof rated in one of the two highest Rating Categories for S&P and Moody's;

(iv) obligations of the Government of the United States Virgin Islands, or obligations guaranteed as to both principal and interest, by the Government of the United States Virgin Islands rated in one of the two highest Rating Categories for S&P and Moody's;

(v) (a) repurchase agreements with banks, savings and loan associations or trust companies organized under the laws of the United States Virgin Islands, the United States, or any state, territory, possession or commonwealth of the United States, provided, however, that any such bank, savings and loan association or trust company shall have a combined capital and surplus at least equal to \$200,000,000 or (b) investment agreements, guaranteed investment contracts or similar funding agreements issued by insurance companies or other financial institutions; and, further provided in the case of investments with providers described in either clause (a) or (b) that (1) such agreements are fully secured by obligations set forth in (i), or (vi) of this paragraph; (2) such collateral is not subject to liens or claims of third parties; (3) such collateral has a market value at least equal to (102%) of the amount invested when the collateral type is that described in (i) and 104% of the amount invested when the collateral is that described in (vi); (3) the Trustee or a third party as agent for the Trustee agent has possession of the collateral or the collateral has been transferred to the custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market; (4) the collateral shall be marked to market on a daily basis and the provider or custodian shall send monthly reports to the Trustee setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the custodian holding the collateral; (5) the Trustee has a valid security interest in such collateral; the repurchase agreement shall state, and an opinion of counsel shall be rendered at the time such collateral is delivered, that the custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; (6) such agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below one of the two highest Rating Categories for S&P and Moody's, as appropriate, the provider must notify the Trustee within five (5) days of receipt of such notice and, within ten (10) days of receipt of such notice, the provider shall either provide a written guarantee acceptable to the Trustee or assign the agreement to another provider meeting the requirements of the Subordinated Indenture. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Trustee;

(7) such agreement shall provide that the failure to maintain such collateral at the level required by clause (3) for a period of 10 days will require the Trustee or its agents to liquidate the investments; and (8) the long term debt of such bank is rated in one of the two highest Rating Categories as designated by S&P and Moody's at the time of the investment;

(vi) the listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States:

(a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

(b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes;

(c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations; and

(d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

provided, in each case, that at the time of the investment such agency or its obligations are rated and the agency receives, or its obligations receive, ratings at the time of purchase in one of the two highest Rating Categories for S&P and Moody's;

(vii) U.S. dollar denominated bankers' acceptances with domestic commercial banks which have a rating on their short-term obligations on the date of purchase in one of the two highest Rating Categories for S&P and Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(viii) unsecured certificates of deposit with domestic commercial banks which have a rating on their short-term obligations on the date of purchase in one of the two highest Rating Categories for S&P and Moody's and maturing no more than 360 days after the date of purchase; and

(ix) investments in a money market fund rated in one of the two highest Rating Categories for S&P and Moody's, including money market funds sponsored by the Trustee; and

(x) commercial paper issued by U.S. corporations which is rated at the time of purchase in one of the two highest Rating Categories for S&P and Moody's and which matures not more than 270 days after the date of purchase.

Any such Permitted Investment may be purchased or sold by, from or through the Authority or the Trustee. The Authority will not direct the Trustee to hold investments described

in (v), unless arrangements satisfactory to the Trustee are in place to verify and monitor compliance with such provisions.

“Person” means an individual, a corporation, a partnership, a limited liability company, an association, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof, or any other legal entity or groups of legal entities.

“Pledge Agreement” means a Pledge Agreement entered into with respect to a specific Series of Subordinated Revenue Bonds or a specific Subordinated Bond within a Series of Variable Rate Subordinated Revenue Bonds and related to the Credit Facility for such Subordinated Revenue Bonds.

“Principal Installment” means, as of any date of calculation and with respect to the Subordinated Revenue Bonds, so long as any Subordinated Revenue Bonds thereof are Outstanding, (i) the principal amount of Subordinated Revenue Bonds due on a certain future date, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for the Subordinated Revenue Bonds.

“Principal Payment Date” means any date on which a Principal Installment is scheduled to become due on Subordinated Revenue Bonds whether by scheduled maturity or Mandatory Sinking Fund Requirements or otherwise.

“Proportionate Basis” means, when used with respect to the redemption of Subordinated Revenue Bonds of a specific Series, that the aggregate principal amount of such Subordinated Revenue Bonds of each maturity of such Series to be redeemed shall be determined as nearly as practicable by multiplying the total amount of funds available for redemption by the ratio which the principal amount of Subordinated Revenue Bonds of that Series to be redeemed bears to the principal amount of all Subordinated Revenue Bonds of that Series then Outstanding; provided that if the amount available for redemption of Subordinated Revenue Bonds of any maturity is insufficient to redeem a multiple of the minimum authorized denomination of such maturity, such amount shall be applied to the redemption of the highest possible integral multiple of the minimum authorized denomination of such maturity. For purposes of the foregoing, Term Subordinated Revenue Bonds shall be deemed to mature in the years and in the amounts of the Mandatory Sinking Fund Requirements set forth in the applicable Supplemental Subordinated Indenture. Any Subordinated Revenue Bonds purchased with moneys which would otherwise be applied to redemption on a Proportionate Basis on the next succeeding Payment Date shall be taken into account in determining Proportionate Basis with respect to such redemption. When used with respect to the purchase of Subordinated Revenue Bonds, Proportionate Basis shall have the same meaning as set forth above, substituting “purchase” for “redemption,” and “purchased” for “redeemed.”

“Purchase Date” means the date on which any Outstanding Subordinated Revenue Bonds are purchased pursuant to the Subordinated Indenture or any applicable Supplemental Subordinated Indenture.

“Qualified Swap Agreement” means an agreement between the Authority and a Swap Provider (i) which agreement is either approved by, or following review of such agreement the rating upon all affected Subordinated Revenue Bonds is confirmed by, each Rating Agency then rating the Swap Provider, and (ii) under which the Authority agrees to pay the Swap Provider an amount calculated at an agreed-upon rate or index based upon a notional amount and the Swap Provider agrees to pay the Authority for a specific period of time an amount calculated

at an agreed-upon rate or index based upon such notional amount, where the Swap Provider, or the Person who guarantees the obligation of the Swap Provider to make its payments to the Authority, has unsecured obligations rated, as of the date the swap agreement is entered into, in one of the two highest applicable Rating Categories by each Rating Agency then rating such Swap Provider or other Person who guarantees such obligation.

“Rating Agency” means Moody’s, S&P and Fitch or any successor or comparable Rating Agency as long as such Rating Agency shall maintain an outstanding rating on any Series of Subordinated Revenue Bonds.

“Rating Category” means one of the general long-term (or short-term, if so specifically provided) rating categories of Fitch, Moody’s and S&P, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Rebate Account” means the Rebate Account established in and maintained pursuant to the Subordinated Indenture and the applicable Supplemental Subordinated Indenture.

“Rebate Amount Certificate” shall have the meaning set forth in the First Supplemental Subordinated Indenture.

“Rebate Requirement” means the amount required to be paid to the United States Treasury pursuant to Section 148(f) of the Code.

“Record Date” means with respect to an Interest Payment Date for the Subordinated Revenue Bonds, unless otherwise provided by any Supplemental Subordinated Indenture, the fifteenth day (or if such day shall not be a Business Day, the preceding Business Day) next preceding such Interest Payment Date.

“Redemption Price” means with respect to any Subordinated Bond, as determined by the Authority, the principal amount of such bond plus the applicable premium, if any, payable upon redemption thereof pursuant to such bond, the Subordinated Indenture or the applicable Supplemental Subordinated Indenture.

“Related Agreements” or “Related Documents” means any Credit Facility, Credit Agreement or Pledge Agreement related to a Series of Subordinated Revenue Bonds or a specific portion thereof, including security agreements or instruments made before or after the Subordinated Indenture for the benefit and with the consent of the Trustee or a Credit Provider as creditor to secure payment of any Series of Subordinated Revenue Bonds or a specific portion thereof or any amount due to a Credit Provider; but excluding the Subordinated Indenture and all Supplemental Subordinated Indentures; provided, that the term “Related Agreements” or “Related Documents,” when used in relation to a specific Series of Subordinated Revenue Bonds or a specific portion thereof, shall include only such Related Agreements or Related Documents as have been entered into for such Series of Subordinated Revenue Bonds or a specific portion thereof, and shall not include documents, agreements or other items entered into only for the purposes of a different Series of Subordinated Revenue Bonds or a specific portion thereof.

“Remarketing Agreement” means the Remarketing Agreement for a Series of Subordinated Revenue Bonds or a specific portion thereof, including any amendments and supplements thereto, between the Remarketing Agent and the Authority.

“Remarketing Agent” means the firm appointed as Remarketing Agent for a specific Series of Optional Tender Subordinated Revenue Bonds.

“Responsible Officer” shall mean, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who shall have direct responsibility for the administration of the Subordinated Indenture.

“S&P” means Standard & Poor’s Ratings Group, a division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority, by notice to the Trustee.

“Second Lien Bonds” means obligations of the Authority issued pursuant to any Supplemental Subordinated Indenture as Second Lien Bonds permitted by the Subordinated Indenture.

“Second Lien Capitalized Interest Subaccount” means the subaccount by that name in the Second Lien Debt Service Account established by the Subordinated Indenture and the applicable Supplemental Subordinated Indenture.

“Second Lien Credit Subaccount” means a subaccount by that name in the Second Lien Debt Service Account or Second Lien Debt Service Reserve Account, as applicable, established by the Subordinated Indenture.

“Second Lien Debt Service Account” means the fund by that name established by the Subordinated Indenture.

“Second Lien Debt Service Reserve Account” means the fund by that name established by the Subordinated Indenture.

“Second Lien Expense Subaccount” means the subaccount by that name established by the Subordinated Indenture.

“Second Lien Interest Subaccount” means the subaccount by that name in the Second Lien Debt Service Account established by the Subordinated Indenture and the applicable Supplemental Subordinated Indenture.

“Second Lien Principal Subaccount” means the subaccount by that name in the Second Lien Debt Service Account established by the Subordinated Indenture and the applicable Supplemental Subordinated Indenture.

“Second Lien Redemption Subaccount” means the subaccount by that name in the Second Lien Debt Service Account established by the Subordinated Indenture.

“Senior Bond” or “Senior Bonds” shall mean any Matching Fund Revenue Bond or Bonds, as the case may be, authenticated and delivered under the Senior Indenture.

“Senior Bondholder” shall mean all holders of bonds of the Authority issued under the Senior Indenture and outstanding thereunder.

“Senior Indenture” shall mean the Indenture of Trust, Revenue and Refunding Bonds (Virgin Islands Matching Fund Loan Notes), dated as of May 1, 1998, as amended and supplemented from time to time, by and between the Virgin Islands Public Finance Authority and The Bank of New York Mellon Trust Company, N.A., as Trustee.

“Senior Lien Bonds” means obligations of the Authority issued pursuant to any Supplemental Subordinated Indenture as Senior Lien Bonds permitted by the Subordinated Indenture.

“Senior Lien Capitalized Interest Subaccount” means the subaccount by that name in the Senior Lien Debt Service Account established by the Subordinated Indenture and the applicable Supplemental Subordinated Indenture.

“Senior Lien Credit Subaccount” means a subaccount by that name in the Senior Lien Debt Service Account or Senior Lien Debt Service Reserve Account, as applicable, established by the Subordinated Indenture.

“Senior Lien Debt Service Account” means the account by that name established by the Subordinated Indenture.

“Senior Lien Debt Service Reserve Account” means the account by that name established by the Subordinated Indenture.

“Senior Lien Expense Subaccount” means the subaccount by that name established by the Subordinated Indenture.

“Senior Lien Redemption Subaccount” means the subaccount by that name in the Senior Lien Debt Service Account established by the Subordinated Indenture.

“Senior Trustee” shall mean The Bank of New York Mellon Trust Company, N.A., a national association with trust powers duly organized and existing under the laws of the United States, designated as trustee under the Senior Indenture, and its successor or successors hereafter appointed in the manner as provided in the Senior Indenture.

“Series” means all Subordinated Revenue Bonds, delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

“Series 2009A Arbitrage Rebate Account” shall mean the Series 2009A Arbitrage Rebate Account established in the First Supplemental Subordinated Indenture.

“Series 2009A Bonds” shall mean the Authority’s Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note – Cruzan Project) authorized to be issued pursuant to the First Supplemental Subordinated Indenture.

“Series 2009A Cost of Issuance Subaccount” shall mean the Series 2009A Cost of Issuance Subaccount of the Cost of Issuance Account established in the First Supplemental Subordinated Indenture.

“Series 2009A Loan Agreement” means the Loan Agreement, dated as of December 1, 2009, by and among the Government, the Authority and the Trustee, entered into in connection with the issuance of the Series 2009A Bonds.

“Series 2009A Loan Note” means the Government’s 2009A Matching Fund Loan Note, executed and delivered to the Authority pursuant to the Series 2009A Loan Agreement.

“Series 2009A Senior Lien Construction Subaccount” shall mean the Series 2009A Senior Lien Construction Subaccount of the Construction Account established in the First Supplemental Subordinated Indenture.

“Series 2009A Senior Lien Debt Service Reserve Requirement” shall mean an amount equal to \$2,795,250, which amount is calculated based on the maximum principal and interest due on the Series 2009A Bonds in the current or any future Fiscal Year, and which amount is the least of (a) maximum principal and interest due on the Series 2009A Bonds in the current or any future Fiscal Year, (b) 10 percent (10%) of the original stated principal amount of the 2009A Bonds (or 10 percent (10%) of the issue price of the Series 2009A Bonds if required by the Code) or (c) 125 percent (125%) of the average annual principal and interest due on the Series 2009A Bonds in the current and each future Fiscal Year, but in no event more than 10 percent (10%) of the original stated principal amount of the Series 2009A Bonds (or 10 percent (10%) of the issue price of the Series 2009A Bonds if required by the Code).

“Series 2009A Senior Lien Debt Service Reserve Subaccount” shall mean the Series 2009A Senior Lien Debt Service Reserve Subaccount of the Senior Lien Debt Service Reserve Account established in the First Supplemental Subordinated Indenture.

“Series 2009A Senior Lien Debt Service Subaccount” shall mean the Series 2009A Senior Lien Debt Service Subaccount of the Senior Lien Debt Service Account established pursuant Section 502 of this First Supplemental Subordinated Indenture.

“Series 2009A Senior Lien Expense Subaccount” shall mean the Series 2009A Senior Lien Expense Subaccount of the Senior Lien Expense Subaccount of the Senior Lien Debt Service Account established in the First Supplemental Subordinated Indenture.

“Series 2009A Senior Lien Interest Subaccount” shall mean the Series 2009A Senior Lien Interest Subaccount of the Series 2009A Senior Lien Debt Service Subaccount established in the First Supplemental Subordinated Indenture.

“Series 2009A Senior Lien Principal Subaccount” shall mean the Series 2009A Senior Lien Principal Subaccount of the Series 2009A Senior Lien Debt Service Subaccount established in the First Supplemental Subordinated Indenture.

“Series 2009A Senior Lien Redemption Subaccount” shall mean the Series 2009A Senior Lien Redemption Subaccount of the Series 2009A Senior Lien Debt Service Subaccount established in the First Supplemental Subordinated Indenture.

“Sinking Fund Installment” means with respect to any Series of Subordinated Revenue Bonds, an amount so designated which is established pursuant to the Supplemental Subordinated Indenture authorizing such Series of Subordinated Revenue Bonds.

“SLGS” means United States Treasury Obligations, State and Local Government Series, as provided for in the United States Treasury Regulations 31 CFR 344.

“Special Record Date” means, if the Authority shall be in default in payment of principal or interest due on a Subordinated Bond, a special Record Date for the payment of such defaulted principal or interest established by notice mailed by the Trustee at the expense of and on behalf of the Authority; notice of such Special Record Date shall be mailed not less than 10 days preceding such Special Record Date, to the owner at the close of business on the fifth Business Day preceding the date of mailing.

“Subordinated Bond” or “Subordinated Revenue Bonds” means any Subordinated Bond or Subordinated Revenue Bonds, as the case may be, issued pursuant to the Subordinated Indenture or any Supplemental Subordinated Indenture, and may include notes, commercial paper, or other obligations and shall include Senior Lien Bonds and Second Lien Bonds.

“Subordinated Capital Appreciation Bonds” means any Subordinated Revenue Bonds as to which interest is payable only at the maturity or prior redemption thereof. For the purposes of (i) receiving payment of the redemption price, if any, of a Subordinated Capital Appreciation Bond that is redeemed prior to maturity, and (ii) computing the principal amount of Subordinated Capital Appreciation Bonds held by the Owner thereof in giving any notice, consent, request, or demand pursuant to the applicable Supplemental Subordinated Indenture for any purpose whatsoever, the Accreted Value of a Subordinated Capital Appreciation Bond as of a specific date shall be deemed to be its principal amount as of such date.

“Subordinated Current Interest Bonds” mean all Subordinated Revenue Bonds which are not (a) Subordinated Capital Appreciation Bonds or (b) prior to the Interest Commencement Date, Subordinated Deferred Interest Bonds.

“Subordinated Deferred Interest Bonds” means any Subordinated Revenue Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in the Supplemental Subordinated Indenture authorizing such Series.

“Subordinated Indenture” means the Subordinated Indenture of Trust between the Authority and the Trustee and, as to each Series of Subordinated Revenue Bonds, the Supplemental Subordinated Indenture pertaining thereto, as the Subordinated Indenture or any Supplemental Subordinated Indenture may from time to time be amended or supplemented in accordance with the terms of the Subordinated Indenture.

“Supplemental Subordinated Indenture” means any Subordinated Indenture amending or supplementing the Subordinated Indenture in accordance with the terms of the Subordinated Indenture.

“Surplus Account” means the Surplus Account established in the Subordinated Indenture.

“Swap Provider” means the counterparty with whom the Authority enters into a Qualified Swap Agreement.

“Taxable Subordinated Revenue Bonds” means any Subordinated Revenue Bonds which are not Tax-Exempt Subordinated Revenue Bonds on the date of original issue thereof.

“Tax Covenants” means the covenants of the Authority expressed in or incorporated by reference in the Subordinated Indenture, or in the corresponding section of a Supplemental Subordinated Indenture providing for assurance of the preservation of the tax-exempt status of the interest on a Series of Tax-Exempt Subordinated Revenue Bonds.

“Tax-Exempt Subordinated Revenue Bonds” means Subordinated Revenue Bonds issued pursuant to the Subordinated Indenture for which the Authority receives, on the date of the closing therefor, an opinion of Bond Counsel to the effect that interest on such Subordinated Revenue Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Code.

“Tax Opinion” means, with respect to any action requiring such an opinion under the Subordinated Indenture, a Counsel’s Opinion to the effect that such action, of itself, will not adversely affect the exclusion of interest on any Series of Tax-Exempt Subordinated Revenue Bonds from gross income for federal income tax purposes.

“Tax Regulatory Agreement” means that agreement between the Authority and the Government of the Virgin Islands dated as of the date the Initial Series of Subordinated Revenue Bonds are issued, as amended from time to time, relating to the requirements of Sections 148 and 103 of the Code for exemption of interest on the Tax-Exempt Subordinated Revenue Bonds from federal income tax.

“Term Subordinated Revenue Bonds” means Subordinated Revenue Bonds which are designated in a Supplemental Subordinated Indenture as subject to scheduled Mandatory Sinking Fund Requirements prior to maturity.

“Treasury Regulations” means all final, temporary or proposed Income Tax Regulations issued or amended with respect to the Code by the Treasury or Internal Revenue Service and applicable to a Series of Subordinated Revenue Bonds. Any reference to a section of the Treasury Regulations shall also refer to any successor provision to such section promulgated by the Internal Revenue Service pursuant to the Code and applicable to a Series of Tax-Exempt Subordinated Revenue Bonds.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association with trust powers duly organized and existing under the laws of the United States, designated as trustee under the Subordinated Indenture, and its successor or successors subsequently appointed in the manner provided in the Subordinated Indenture.

“Valuation Date” means, with respect to any Subordinated Revenue Bonds that are Subordinated Capital Appreciation Bonds or Subordinated Deferred Interest Bonds, the date or dates set forth as such in the Supplemental Subordinated Indenture authorizing such Subordinated Revenue Bonds on which specific Accreted Values or Appreciated Values, respectively, are assigned to such Subordinated Revenue Bonds.

“Variable Interest Rate” means a variable interest rate or rates to be borne by a Series of Subordinated Revenue Bonds or other obligations or by any Subordinated Bond within a Series of Subordinated Revenue Bonds. The method of computing such variable interest rate shall be specified in the Supplemental Subordinated Indenture authorizing such Subordinated Revenue Bonds or Related Agreements approved thereby.

“Variable Rate Subordinated Revenue Bonds” means any Subordinated Bond that bears interest at a rate which is not established at the time of calculation at a single numerical rate for the remaining term of such bond.

“Written Order” means a written direction of the Authority to the Trustee signed by an Authorized Officer.

APPENDIX B

**SUMMARY OF CERTAIN PROVISIONS OF
THE SUBORDINATED INDENTURE, THE FIRST SUPPLEMENTAL SUBORDINATED
INDENTURE AND THE CRUZAN SPECIAL ESCROW AGREEMENT**

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APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE SUBORDINATED INDENTURE

The following is a summary of certain provisions of the Subordinated Indenture. Such summary does not purport to be complete or definitive and reference is made to the Subordinated Indenture for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under **APPENDIX A – “Glossary of Certain Defined Terms”**.

Authorization of Bonds.

The Subordinated Indenture authorizes Subordinated Revenue Bonds of the Authority, to be issued under the Subordinated Indenture and Supplemental Subordinated Indentures, and designated as “Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Notes - Cruzan Project)”, “Second Lien Revenue Bonds (Virgin Island Matching Fund Loan Notes- Cruzan Project) or “Subordinated Revenue and Refunding (Matching Fund Loan Notes - Cruzan Project),” as applicable. The aggregate principal amount of the Subordinated Revenue Bonds which may be executed, authenticated and delivered under the Subordinated Indenture and Supplemental Subordinated Indentures, is not limited except as is or may be provided in the Subordinated Indenture or the Act or as may be limited by law. The Subordinated Revenue Bonds shall be special limited obligations of the Authority payable solely from the sources pledged by the Subordinated Indenture, provided, however, that such payment and pledge shall be, and shall be expressed to be, subject and subordinate in all respects to the payment of the principal and Redemption Price of, and interest on, the Senior Bonds and the pledge of Matching Fund Revenues as security for the Senior Bonds pursuant to the Senior Indenture.

Pledge of Cruzan Matching Fund Revenues.

The Subordinated Revenue Bonds shall be special, limited obligations of the Authority, payable as to principal or Redemption Price, if any, and interest thereon, in accordance with their terms and the terms and provisions of the Subordinated Indenture solely from the Cruzan Matching Fund Revenues, and secured by a lien on and security interest in the Cruzan Trust Estate, subject only to the provisions of the Subordinated Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Subordinated Indenture. The Authority has no taxing power and its debts are not debts of the United States Virgin Islands or any political subdivision of the United States Virgin Islands. No holder of the Subordinated Revenue Bonds shall have the right to compel any exercise of the taxing power of the United States Virgin Islands to pay the principal of or interest on the Subordinated Revenue Bonds.

Sinking Fund Redemption; Purchase.

The Subordinated Revenue Bonds of any Series issued pursuant to the Subordinated Indenture and a Supplemental Subordinated Indenture may be subject to optional, mandatory or extraordinary redemption or prepayment on a scheduled or other basis, provided that the Subordinated Mandatory Sinking Fund Requirements of Subordinated Revenue Bonds of a particular Series and maturity shall be reduced, as provided in the Subordinated Indenture or in the applicable Supplemental Subordinated Indenture, if and to the extent the Subordinated Revenue Bonds of that Series and maturity have been or will be optionally or mandatorily redeemed, in whole or part, prior to or on the date scheduled for payment of the specified principal amount and at the redemption prices specified in the applicable Supplemental

Subordinated Indenture. Redemption of the Subordinated Revenue Bonds may be in whole or in part subject to prepayment; provided that there shall be no reduction of the amount scheduled for redemption on a mandatory redemption date except to the extent Subordinated Revenue Bonds of the maturity to be redeemed have been optionally or mandatorily redeemed or will be optionally or mandatorily redeemed on the scheduled redemption date and except that the Authority may, at its option, purchase Subordinated Revenue Bonds of the maturity to be redeemed and upon surrender of such purchased Subordinated Revenue Bonds to the Trustee and cancellation thereof apply the principal amount purchased and cancelled as a credit against the principal amount to be redeemed.

Additional Subordinated Revenue Bonds; Other Revenue Obligations.

All of the Subordinated Revenue Bonds issued under one or more Supplemental Subordinated Indentures shall collectively have a first lien upon the Cruzan Trust Estate as provided in the Subordinated Indenture and such lien shall be on a parity with all other Subordinate Revenue Bonds. Except as permitted by the Subordinated Indenture, no obligations payable from Cruzan Matching Fund Revenues or secured by a lien on the Cruzan Trust Estate (except as to any Credit Facility or Liquidity Facility which secures Subordinated Revenue Bonds or a specific Series of Subordinated Revenue Bonds) shall be issued.

So long as no Event of Default has occurred and is continuing, the Authority from time to time after the execution and delivery of the Subordinated Indenture may enter into a Supplemental Subordinated Indenture providing for the issuance of Additional Subordinated Revenue Bonds pursuant to the Subordinated Indenture. Such Additional Subordinated Revenue Bonds may be for any purpose for which Subordinated Revenue Bonds or other obligations may be issued under the Act or as otherwise permitted under laws of the Virgin Islands.

Any such Additional Subordinated Revenue Bonds may bear interest at any rate lawful at the time of the issuance thereof and may mature over any period of time not exceeding the maximum maturity permitted by law and may provide for such other payment terms and conditions as the Authority shall determine in a Supplemental Subordinated Indenture. Any Additional Subordinated Revenue Bonds shall be given a designation by year, alphabetical letter or other identifying language or symbol differentiating such Additional Subordinated Revenue Bonds from other Subordinated Revenue Bonds then Outstanding as provided in the Supplemental Subordinated Indenture authorizing the issuance thereof.

Conditions to the Issuance of Additional Senior Lien Bonds.

Senior Lien Bonds shall be payable from Cruzan Matching Fund Revenues and secured by a lien on the Cruzan Trust Estate (except as to any Credit Facility which secures only a specific Series of Subordinated Revenue Bonds or specific Subordinated Revenue Bonds of a Series) on a parity basis with all Outstanding Senior Lien Bonds and any Additional Senior Lien Bonds that may be hereafter issued if the Trustee shall receive:

(i) a certificate of the Authority that no Event of Default under the Subordinated Indenture has occurred and shall continue to exist immediately following the date of issuance of the Senior Lien Bonds to be issued; and

(ii) a certificate of an Independent Verification Analyst stating (1)(A) the actual amount of Cruzan Matching Fund Revenues received by the Government for its immediately preceding Fiscal Year, (B) the average amount of Cruzan Matching Fund Revenues

received by the Government for the immediately preceding three Fiscal Years prior to the issuance of such Additional Senior Lien Bonds and (C) the average Cruzan Matching Fund Revenues projected to be received by the Government in the next succeeding two Fiscal Years following issuance of such Series of Additional Senior Lien Bonds; (2) the maximum annual Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Senior Lien Bonds after giving effect to the issuance of the proposed Series of Senior Lien Bonds; and (3)(A) that the average Cruzan Matching Fund Revenues received by the Government for the immediately preceding three Fiscal Years equaled or exceeded 150% of the amount of maximum Adjusted Debt Service Requirement in the current or any subsequent Bond Year, (B) the average Cruzan Matching Fund Revenues projected to be received by the Government for the next succeeding two Fiscal Years following the issuance of the Additional Senior Lien Bonds is projected to equal or exceed 150% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Senior Lien Bonds and such Additional Senior Lien Bonds, and (C) the average Cruzan Matching Fund Revenues projected to be received by the Government for the next succeeding two Fiscal Years following the issuance of the Additional Senior Lien Bonds is projected to equal or exceed 120% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Senior Lien Bonds, such Additional Senior Lien Bonds and Outstanding Second Lien Bonds. Notwithstanding the foregoing, no certificate of an Independent Verification Analysis described under this clause (ii) will be required for any issue of a Series of Completion Bonds, as such term is defined in the Subordinated Indenture, provided that such completion Bonds shall not exceed \$10,500,000.

For purposes of the certifications described in clause (ii) above there shall be excluded from the Adjusted Debt Service Requirement any amounts otherwise due or to become due on Outstanding Subordinated Revenue Bonds which are to be refunded and will be no longer Outstanding as a result of the issuance of such Series of Additional Senior Lien Bonds. Notwithstanding the foregoing, the certificate described in clause (ii) above will not be required for any issue of a Series of Subordinated Revenue Bonds for Completion Bonds, as such term is defined in the Subordinated Indenture.

Any Supplemental Subordinated Indenture that authorizes a Series of Senior Lien Bonds under the Subordinated Indenture shall establish the amount that shall be the Debt Service Reserve Requirement to be funded in connection with such Series of Subordinated Revenue Bonds and may amend the Subordinated Indenture in order to provide for the funding, application and replenishment of any account within the Senior Lien Debt Service Reserve Account in connection therewith, provided that no such amendment may adversely affect the Subordinated Revenue Bonds of any Series then Outstanding except such Series of Senior Lien Bonds.

If the Senior Lien Bonds are subject to mandatory purchase or are to be purchased upon optional tender by the Owners thereof, any amounts required to be segregated or set aside by the Authority to fulfill its purchase obligation shall be deemed additional Adjusted Debt Service Requirements with respect to the related Series of Senior Lien Bonds in the amounts and at the times such amounts are required to be so set aside.

The conversion of Senior Lien Bonds that are Variable Rate Subordinated Revenue Bonds to Fixed Interest Rate Bonds shall not be treated as the issuance of additional Senior Lien Bonds subject to the other requirements of the Subordinated Indenture unless the interest rate to be borne by such Senior Lien Bonds from and after the date of conversion will exceed the Certified Interest Rate taken into account for the purposes of computing Adjusted Debt Service Requirements under the Subordinated Indenture.

Prior to the issuance of any Series of Senior Lien Bonds under the provisions of the Subordinated Indenture, and as a condition precedent thereto, the following documents and showings shall be executed and delivered:

(i) A Supplemental Subordinated Indenture, executed by the Authority and the Trustee, providing for the issuance of such Senior Lien Bonds and the terms and conditions thereof;

(ii) A Certificate of No Default under the Senior Indenture;

(iii) A Counsel's Opinion to the effect that all conditions precedent to the delivery of such Additional Senior Lien Bonds have been fulfilled and that the issuance thereof will not cause the interest on any Series of Tax-Exempt Subordinated Revenue Bonds Outstanding to become includable in gross income for Federal income tax purposes;

(iv) A certificate of an Authorized Officer to the effect that the Loan Agreement and any outstanding Matching Fund Loan Notes continue in full force and effect and that there is no Event of Default (as such term is defined in the Loan Agreement) nor any event which upon notice or lapse of time or both would become an Event of Default thereunder;

(v) A certificate of each of the Government and Cruzan to the effect that the Cruzan Agreement continues in full force and effect and that there is no Material Default (as such term is defined in the Cruzan Agreement) nor any event which upon notice or lapse of time or both would become a Material Default thereunder;

(vi) An Authority certificate setting forth information sufficient to satisfy the Trustee that the requirements of the Subordinated Indenture have been fulfilled; and

(vii) If additional Subordinated Revenue Bonds are issued for purposes of completing the Cruzan Project (the "Completion Bonds"), a certificate of Cruzan stating that (1) the proceeds of such Completion Bonds will, together with any other funds of the Authority or Cruzan which are then available or which are expected to be available therefor, be sufficient to pay the costs necessary to complete the Cruzan Project, and (2) the period of time which will be required for completion of the Cruzan Project.

Each Series of Additional Senior Lien Bonds issued pursuant to the Subordinated Indenture shall be equally and ratably secured under the Subordinated Indenture with the Senior Lien Bonds and all other Series of Additional Senior Lien Bonds, if any, issued pursuant to the Subordinated Indenture, without preference, priority or distinction of any Senior Lien Bond over any other Senior Lien Bonds except as expressly provided in or permitted by the Subordinated Indenture.

Conditions to the Issuance of Additional Second Lien Bonds.

(a) Additional Second Lien Bonds payable from Cruzan Matching Fund Revenues and secured by a lien on the Cruzan Trust Estate on a junior and subordinate basis to the payment obligation to the Senior Lien Bonds may be issued on a parity basis with all Outstanding Second Lien Bonds if the Trustee shall receive:

(i) a certificate of the Authority that no Event of Default under the Subordinated Indenture has occurred and shall continue to exist immediately following the date of issuance of the Additional Second Lien Bonds to be issued;

(ii) a certificate of an Independent Verification Analyst stating (1)(A) the actual amount of Cruzan Matching Fund Revenues received by the Government for its immediately preceding Fiscal Year, (B) the average amount of Cruzan Matching Fund Revenues received by the Government for its immediately preceding two Fiscal Years prior to the issuance of such Additional Second Lien Bonds and (C) the average Cruzan Matching Fund Revenues projected to be received by the Government in the next succeeding two Fiscal Years following issuance of such Second Lien Bonds; (2) the maximum annual Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Second Lien Bonds after giving effect to the issuance of the proposed Second Lien Bonds; and (3)(A) that the average Available Cruzan Matching Fund Revenues (as defined below) of the Government after payment of Debt Service on any Senior Lien Bonds then Outstanding (the "Available Cruzan Matching Fund Revenues") for the immediately preceding three Fiscal Years equaled or exceeded 150% of the amount of the maximum Adjusted Debt Service Requirement in the current or any subsequent Bond Year, (B) the average Available Cruzan Matching Fund Revenues projected to be received by the Government for the next succeeding two Fiscal Years following the issuance of the Additional Second Lien Bonds is projected to equal or exceed 150% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on outstanding Second Lien Bonds and such Additional Second Lien Bonds and (C) the average Cruzan Matching Fund Revenues projected to be received by the Government for the next succeeding two Fiscal Years following issuance of the Additional Second Lien Bonds is projected to equal or exceed 120% of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Second Lien Bonds, such additional Second Lien Bonds and Outstanding Senior Lien Bonds; and

For purposes of the certifications described in the Subordinated Indenture, there shall be excluded from the Adjusted Debt Service Requirements any amounts otherwise due or to become due on Outstanding Subordinated Revenue Bonds which are to be refunded and will be no longer Outstanding as a result of the issuance of such Additional Second Lien Bonds.

Any Supplemental Subordinated Indenture which authorizes Additional Second Lien Bonds shall establish the Debt Service Reserve Requirement to be funded in connection with such Series of Additional Subordinated Revenue Bonds and may amend the Subordinated Indenture in order to provide for the funding, application and replenishment of any account within the Second Lien Debt Service Reserve Account in connection therewith, provided that no such amendment may adversely affect the Subordinated Revenue Bonds of any Series then Outstanding except such Series of Additional Second Lien Bonds.

If the Additional Second Lien Bonds are subject to mandatory purchase or are to be purchased upon optional tender by the Owners thereof, any amounts required to be segregated or set aside by the Authority to fulfill its purchase obligation shall be deemed additional Adjusted Debt Service Requirements with respect to the related Series of Second Lien Bonds in the amounts and at the times such amounts are required to be so set aside.

The conversion of Second Lien Bonds which are Variable Rate Subordinated Revenue Bonds to Fixed Interest Rate Subordinated Revenue Bonds shall not be treated as the issuance of Additional Second Lien Bonds subject to the other requirements of this heading unless the interest rate to be borne by such Second Lien Bonds from and after the date of

conversion will exceed the Certified Interest Rate taken into account for the purposes of computing Adjusted Debt Service Requirements under the Subordinated Indenture.

Prior to the issuance of any Series of Additional Second Lien Bonds under the provisions of this heading, and as a condition precedent thereto, the following documents and showings shall be executed and delivered:

(i) A Supplemental Subordinated Indenture, executed by the Authority and the Trustee, providing for the issuance of the Additional Second Lien Bonds and the terms and conditions thereof;

(ii) A Counsel's Opinion to the effect that all conditions precedent to the delivery of such Additional Second Lien Bonds have been fulfilled and that the issuance thereof will not cause the interest on any Series of Tax-Exempt Subordinated Revenue Bonds Outstanding to become includable in gross income for Federal income tax purposes;

(iii) A certificate of an Authorized Officer to the effect that the Loan Agreement and the Series 2009A Loan Note and any outstanding Matching Fund Loan Notes continue in full force and effect and that there is no Event of Default (as such term is defined in the Loan Agreement) nor any event which upon notice or lapse of time or both would become an Event of Default thereunder;

(iv) A certificate of each of the Government and Cruzan to the effect that the Cruzan Agreement continues in full force and effect and that there is no Material Default (as such term is defined in the Cruzan Agreement) nor any event which upon notice or lapse of time or both would become a Material Default thereunder; and

(v) An Authority certificate setting forth information sufficient to satisfy the Trustee that the requirements of this heading have been fulfilled.

Each Series of Additional Second Lien Bonds issued pursuant to this heading shall be equally and ratably secured under the Subordinated Indenture with the Second Lien Bonds and all other Series of Additional Second Lien Bonds, if any, issued pursuant to this heading, without preference, priority or distinction of any Second Lien Bond over any other Second Lien Bonds except as expressly provided in or permitted by the Subordinated Indenture.

Immobilization of Subordinated Revenue Bonds by DTC; Successor Depository; Replacement Subordinated Revenue Bonds.

Notwithstanding any provision of the Subordinated Indenture to the contrary:

The ownership of one or more fully registered Subordinated Revenue Bonds for each maturity of each Series of Subordinated Revenue Bonds shall be registered in the name of a Cede & Co., as nominee for The Depository Trust Company ("DTC"). Payments of interest on, principal of and any premium on such Series of Subordinated Revenue Bonds shall be made to the account of DTC on each Payment Date at the address indicated for DTC in the Subordinated Bond Register by transfer of immediately available funds. DTC maintains a book-entry system for recording ownership interests of its participants (the "Direct Participants"), and the ownership interests of a purchaser of a beneficial interest in the Subordinated Revenue Bonds (a "Beneficial Owner") will be recorded through book entries on the records of the Direct Participants.

With respect to Subordinated Revenue Bonds registered in the name of DTC, the Authority, the Trustee and any agent thereof shall have no responsibility or obligation to any Direct Participant or to any Beneficial Owner of such Subordinated Revenue Bonds. Without limiting the immediately preceding sentence, the Authority, the Trustee and any agent thereof shall have no responsibility or obligation with respect to (i) the accuracy of the records of a Depository, its nominee, or any Direct Participant with respect to any beneficial ownership interest in the Subordinated Revenue Bonds, (ii) the delivery to any Direct Participant, Beneficial Owner or other Person, other than the Depository, of any notice with respect to the Subordinated Revenue Bonds, including any notice of redemption, (iii) the payment to any Direct Participant, Beneficial Owner or other Person, other than DTC, of any amount with respect to the principal or redemption price of, or any interest on, the Subordinated Revenue Bonds or (iv) any consent given or other action taken by DTC. The Authority, the Trustee and any agent thereof may treat DTC as, and deem the Depository to be, the absolute owner of each Bond for all purposes whatsoever including (but not limited to) (1) payment of the principal or redemption price of, and interest on, each such Bond, (2) giving notices of purchase or redemption and other matters with respect to each such Bond, and (3) registering transfers with respect to such Subordinated Revenue Bonds. The Trustee shall pay the principal or redemption price of, and interest on, all Subordinated Revenue Bonds registered in the name of DTC or its nominee only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to such principal or redemption price, and interest, to the extent of the sum or sums so paid. No Person other than DTC shall receive a Subordinated Bond of a Series evidencing the obligation of the Authority to make payments of principal or redemption price, and interest on, the Subordinated Revenue Bonds of such Series registered in the name of a Depository to the Trustee. Upon receipt by the Trustee of a Written Order to the effect that DTC has determined to substitute a new nominee, and subject to the transfer provisions of the Subordinated Indenture, any references to the prior nominee contained in the Subordinated Indenture or in a Supplemental Subordinated Indenture shall refer to such new nominee.

DTC may determine to discontinue providing its services with respect to the Subordinated Revenue Bonds of a Series at any time by giving reasonable written notice to the Authority, the Trustee and any tender agent for a Series of Subordinated Revenue Bonds and discharging its responsibilities with respect thereto under applicable law.

The Authority, in its sole discretion and without the consent of any other Person, may terminate, upon provision of notice to the Trustee and any tender agent for a Series of Subordinated Revenue Bonds, the services of the DTC with respect to a Series of Subordinated Revenue Bonds if the Authority determines that the continuation of the system of book-entry-only transfers through DTC (or a successor securities depository) is not in the best interests of the Owners of the Subordinated Revenue Bonds of the Series or is burdensome to the Authority.

Upon the termination of the services of DTC with respect to a Subordinated Bond pursuant to the Subordinated Indenture, or upon the termination of the services of DTC with respect to the Subordinated Revenue Bonds of a Series pursuant to the Subordinated Indenture, then the Authority in its sole discretion may select a new Depository or determine that the Subordinated Revenue Bonds of such Series shall no longer be restricted to being registered in the Subordinated Bond Register in the name of DTC or its nominee. If the Authority determines to discontinue the services of a Depository, the Authority shall issue and the Trustee shall transfer and exchange Subordinated Bond certificates for such Series as requested by DTC or Direct Participants of like principal amount, Series and maturity, in authorized denominations to the identifiable Beneficial Owners of the Subordinated Revenue Bonds in replacement of such Beneficial Owners' beneficial interests in the Subordinated Revenue Bonds.

Notwithstanding any other provision of the Subordinated Indenture to the contrary, so long as any Subordinated Bond of a Series is registered in the name of DTC or its nominee, all payments with respect to the principal or redemption price of, and interest on, such Bond and all notices with respect to such Bond shall be made and given, respectively, to DTC or its nominee as provided in the Letter of Representation.

In connection with any notice or other communication to be provided to Owners pursuant to the Subordinated Indenture by the Authority, any agent thereof or the Trustee with respect to any consent or other action to be taken by Owners, the Authority, any agent thereof or the Trustee, as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible.

Notwithstanding any provision in the Subordinated Indenture to the contrary, the Authority and the Trustee may agree to allow DTC or its nominee to make a notation on any Subordinated Bond redeemed in part to reflect, for informational purposes only, the principal amount and date of any such redemption.

Notwithstanding any provision in the Subordinated Indenture to the contrary, so long as the Subordinated Revenue Bonds of a Series are subject to a system of book-entry-only transfers pursuant to this heading, any requirement for the delivery of Subordinated Revenue Bonds of such Series to the Trustee or any agent thereof in connection with a mandatory tender or a demand for purchase shall be deemed satisfied upon the transfer, on the registration books of DTC, of the beneficial ownership interests in such Subordinated Revenue Bonds tendered for purchase to the account of any such agent, or a Direct Participant acting on behalf of any such agent.

Refunding Subordinated Revenue Bonds.

Additional Subordinated Revenue Bonds may be issued pursuant to the Subordinated Indenture, to refund Outstanding Subordinated Revenue Bonds, which refunding Additional Subordinated Revenue Bonds may be on a parity with or subordinate to the Subordinated Revenue Bonds that are being refunded, provided that:

- (i) the provisions of the Subordinated Indenture, shall not be required to be satisfied if the aggregate Debt Service on the refunding Additional Subordinated Revenue Bonds is equal to or less than the aggregate Debt Service on the refunded Subordinated Revenue Bonds;
- (ii) there is evidence that the Authority has made provisions for the repayment of the Subordinated Revenue Bonds to be refunded; and
- (iii) such other requirements provided in the Subordinated Indenture are fulfilled.

Supplemental Subordinated Indentures; Override.

Notwithstanding any provisions in the Subordinated Indenture to the contrary, a Supplemental Subordinated Indenture authorizing the issuance of a Series of Subordinated Revenue Bonds may modify the terms of those Subordinated Revenue Bonds, and the prescribed form thereof, in a manner inconsistent with the Subordinated Indenture, and in such case the terms of the Supplemental Subordinated Indenture shall control as to the related Series of

Subordinated Revenue Bonds; provided however, that the terms of the Supplemental Subordinated Indenture may not be such as to materially prejudice the interests of the Owners of Subordinated Revenue Bonds then Outstanding in the opinion of the Bond Counsel, and, as to Subordinated Revenue Bonds secured by a Credit Facility, the Credit Provider, provided that:

(i) the terms of a Supplemental Subordinated Indenture authorizing the issuance of Additional Subordinated Revenue Bonds (including Subordinated Revenue Bonds which are refunding Subordinated Revenue Bonds) permitted by the Subordinated Indenture; and

(ii) the terms of a Supplemental Subordinated Indenture permitted by the Subordinated Indenture shall, in each case, be conclusively deemed to be terms which do not materially prejudice the interests of the Owners of Subordinated Revenue Bonds then Outstanding.

The Trustee may, but will not be obligated to, enter into any such Supplemental Subordinated Indenture which affects the Trustee's own rights, duties, or immunities under the Subordinated Indenture or otherwise.

Variable Rate Subordinated Revenue Bonds.

A Supplemental Subordinated Indenture may provide that a Series of Subordinated Revenue Bonds be issued as Variable Rate Subordinated Revenue Bonds.

If and as further provided in the Supplemental Subordinated Indenture authorizing the issuance of a Series of Variable Rate Subordinated Revenue Bonds, the Authority shall appoint a Remarketing Agent to remarket the Variable Rate Subordinated Revenue Bonds of such Series from time to time, and to perform such other duties as the Authority or the Trustee shall deem necessary or advisable, which duties may include determinations from time to time of the rate of interest to be borne by such Series of Variable Rate Subordinated Revenue Bonds. Each such Remarketing Agent shall be appointed pursuant to the applicable Supplemental Subordinated Indenture, and the Authority shall enter into an agreement with such Remarketing Agent specifying the duties and obligations of the Remarketing Agent, and providing for compensation to the Remarketing Agent. The Trustee shall also be a party to the Remarketing Agreement if necessary and the Trustee shall execute and deliver, or consent to, the Remarketing Agreement if directed to do so by the Authority.

The provisions of the Subordinated Indenture, as from time to time supplemented, pertinent to Variable Rate Subordinated Revenue Bonds shall apply only for so long as such Subordinated Revenue Bonds bear interest subject to redetermination as provided therein and in the applicable Supplemental Subordinated Indenture. From and after the date on which such Subordinated Revenue Bonds become obligations which bear interest at a single numerical rate for their remaining term, such Subordinated Revenue Bonds shall be deemed Fixed Interest Rate Subordinated Revenue Bonds subject only to the provisions of the Subordinated Indenture applicable to Fixed Interest Rate Subordinated Revenue Bonds.

Subordinated Capital Appreciation Bonds/Deferred Interest Bonds.

A Supplemental Subordinated Indenture may provide that a Series of Subordinated Revenue Bonds, or any portion thereof, may be issued as Subordinated Capital Appreciation Bonds or Subordinated Deferred Interest Bonds. The Supplemental Subordinated Indenture authorizing the issuance of Subordinated Capital Appreciation Bonds shall specify the Accreted

Value thereof as of specified dates from the date of issue to maturity. The Supplemental Subordinated Indenture authorizing the issuance of Subordinated Deferred Interest Bonds shall further specify the Interest Commencement Date and the Appreciated Value of such Subordinated Deferred Interest Bonds as of specified dates from date of issue to the Interest Commencement Date.

Unless provided to the contrary in the Supplemental Subordinated Indenture authorizing the issuance of Subordinated Deferred Interest Bonds, on and after the Interest Commencement Date any such Subordinated Deferred Interest Bonds shall be treated as Fixed Interest Rate Subordinated Revenue Bonds as well as Subordinated Current Interest Bonds.

Credit Facilities.

Nothing in the Subordinated Indenture or any Supplemental Subordinated Indenture shall be construed to limit the right of the Authority to obtain a Credit Facility for the benefit of the Owners of all or any portion of any Series of Subordinated Revenue Bonds issued under the Subordinated Indenture. The terms and conditions for each such Credit Facility shall be set forth in the applicable Supplemental Subordinated Indenture and in the related Credit Agreement. Each Credit Facility shall be held by the Trustee for the sole and exclusive benefit of the Owners of the Series of Subordinated Revenue Bonds (or specific Subordinated Revenue Bonds within such Series) secured by such Credit Facility, and such Credit Facility shall not be an asset available for the benefit of the Owners of any other Subordinated Revenue Bonds.

Mandatory Purchase; Tender.

The Subordinated Revenue Bonds of any Series, or any portion thereof, may be subject to mandatory purchase by the Authority on a specified date or dates, or may be subject to purchase upon tender thereof by the Owners on a specified date or dates. The dates on which Subordinated Revenue Bonds of a Series, or any portion thereof, shall be purchased, or may be tendered for purchase, shall be set forth in the related Supplemental Subordinated Indenture.

Any money held or accumulated with the Trustee to fulfill the Authority's obligation to purchase Subordinated Revenue Bonds shall be held in a separate subaccount in the Purchase Account in a Debt Service Account, which subaccount shall be designated to clearly identify the Series of Subordinated Revenue Bonds or any portion thereof for which it is established, and the Owners of the Subordinated Revenue Bonds, other than the Owners of the Series of Subordinated Revenue Bonds or any portion thereof to which such subaccount relates, shall have no claim thereon.

If and to the extent the Authority is required to segregate or otherwise set aside money from Cruzan Matching Fund Revenues in connection with an obligation of the Authority to purchase Subordinated Revenue Bonds upon tender or demand, such obligation shall be expressly subordinated to the Authority's obligation to pay debt service when due on all Subordinated Revenue Bonds Outstanding.

Privilege of Redemption and Redemption Price.

Subordinated Revenue Bonds subject to mandatory, optional or extraordinary redemption prior to maturity pursuant to any Supplemental Subordinated Indenture shall be redeemable, upon notice as provided in the Subordinated Indenture, at such times, at such Redemption Prices and

upon such terms in addition to the terms contained in the Subordinated Indenture as may be specified in any Supplemental Subordinated Indenture.

Redemption at the Election or Direction of the Authority.

In the case of any redemption of Subordinated Revenue Bonds at the election or direction of the Authority, the Board shall give written notice to the Trustee not less than 15 days prior to the date on which the Trustee gives notice to Bondholders of the Authority's election or direction to redeem the Series, the redemption date, and the principal amounts of the Subordinated Revenue Bonds of each maturity of such Series to be redeemed (which Series, maturities and principal amounts thereof to be redeemed shall be determined by the Authority in its sole discretion, subject to any limitations with respect thereto contained in the Subordinated Indenture). Such notice shall be given not less than 30 nor more than 60 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as provided in the Subordinated Indenture, there shall be paid on or prior to the redemption date to the appropriate Paying Agent an amount in cash which, in addition to other moneys, if any, available therefor held by such Paying Agent, will be sufficient to redeem on the redemption date at the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, all of the Subordinated Revenue Bonds to be redeemed. The Authority shall promptly notify the Trustee in writing of all such payments by it to a Paying Agent.

Redemption Otherwise than at Authority's Election or Direction.

Whenever by the terms of the Subordinated Indenture the Trustee is required or authorized to redeem Subordinated Revenue Bonds otherwise than by any Supplemental Subordinated Indenture at the election or direction of the Authority, the Trustee shall select the Subordinated Revenue Bonds to be redeemed, as provided in the Subordinated Indenture, give the notice of redemption and pay out of moneys available therefor the Redemption Price thereof, plus interest accrued and unpaid to the redemption date, to the appropriate Paying Agent in accordance with the terms of the Subordinated Indenture.

Selection of Subordinated Revenue Bonds to be Redeemed.

If less than all of the Subordinated Revenue Bonds of like maturity of any Series shall be called for prior redemption, the particular Subordinated Revenue Bonds or portions of the Subordinated Revenue Bonds to be redeemed shall be selected at random, by the Trustee in accordance with its customary practices or as the Authority may direct in writing in accordance with DTC procedures; provided, however, that the portion of any Bond of a denomination greater than \$5,000 to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting portions of such Subordinated Revenue Bonds for redemption, the Trustee shall treat each such Bond as representing that number of Subordinated Revenue Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond to be redeemed in part by \$5,000.

Notice of Redemption.

When the Trustee shall receive written notice from the Board, acting on behalf of the Authority, of its election or direction to redeem Subordinated Revenue Bonds pursuant to the Subordinated Indenture, and when redemption of Subordinated Revenue Bonds is required or authorized pursuant to the Subordinated Indenture, the Trustee shall give notice, in the name and

expense, of the Authority, of the redemption of such Subordinated Revenue Bonds, which notice shall specify the Series and maturities of the Subordinated Revenue Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Subordinated Revenue Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Subordinated Revenue Bonds so to be redeemed, and, in the case of Subordinated Revenue Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Subordinated Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Subordinated Revenue Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Trustee by first class mail, postage prepaid, not more than 60 days nor less than 30 days before the redemption date, to each of the Owners of any Subordinated Revenue Bonds or portions of Subordinated Revenue Bonds which are to be redeemed, at their last addresses, if any, appearing upon the Subordinated Bond Register, but any defect in, or the failure of any Bondowner to receive, any such notice shall not affect the validity of the proceedings for the redemption of Subordinated Revenue Bonds. Notwithstanding the foregoing, failure to mail any such notice pursuant to the Subordinated Indenture to any particular Owner of a Subordinated Bond shall not affect the validity of any proceedings for the redemption of any other Subordinated Bond.

Payment of Redeemed Subordinated Revenue Bonds.

Notice having been given in the manner provided in the Subordinated Indenture, the Subordinated Revenue Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Subordinated Revenue Bonds or portions thereof shall be paid at the Redemption Price, plus interest accrued and unpaid to the redemption date. If there shall be called for redemption less than all of a Subordinated Bond, the Authority shall execute and the Trustee shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the Subordinated Bond so surrendered, at the option of the Owner thereof, Subordinated Revenue Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Subordinated Revenue Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by the Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the redemption date interest on the Subordinated Revenue Bonds or portions thereof of such Series and maturity so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Subordinated Revenue Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Receipt of Moneys.

With respect to any notice of optional redemption of Subordinated Revenue Bonds in accordance with the Subordinated Indenture, unless, upon the giving of such notice, such Subordinated Revenue Bonds shall be deemed to have been paid within the meaning of the Subordinated Indenture, the notice may state that the optional redemption shall be conditional upon receipt by the Trustee, on or before the date fixed for redemption, of moneys sufficient to

pay the principal of, premium, if any, and interest on the Subordinated Revenue Bonds to be redeemed and that if such moneys shall not have been so received such notice shall be of no force and effect and the Authority shall not be required to redeem the Subordinated Revenue Bonds. In the event that the notice of the optional redemption contains such a condition and such moneys sufficient to pay the principal of, premium, if any, and interest on the Subordinated Revenue Bonds are not received on or before the date fixed for redemption, the optional redemption shall not be made and the Trustee shall, within a reasonable time after the last date on which such moneys were to have been received, give notice in the manner in which the notice of the optional redemption was given, that such moneys were not received and that the optional redemption will not occur.

Pledge of Cruzan Matching Fund Revenues; Creation of Accounts and Subaccounts; “Cruzan Trust Moneys” Defined.

The Subordinated Revenue Bonds shall be special, limited obligations of the Authority payable as to principal or Redemption Price, if any, and interest thereon, in accordance with their terms and the terms and provisions of the Subordinated Indenture solely from the Cruzan Matching Fund Revenues, and secured by a lien on and security interest in the Cruzan Trust Estate, subject only to the provisions of the Subordinated Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Subordinated Indenture. The Authority has no taxing power and its debts are not debts of the United States Virgin Islands or any political subdivision of the United States Virgin Islands. No holder of the Subordinated Revenue Bonds shall have the right to compel any exercise of the taxing power of the United States Virgin Islands to pay the principal of or interest on the Subordinated Revenue Bonds.

The proceeds of each Series of Subordinated Revenue Bonds and all Cruzan Matching Fund Revenues and other sums pledged and assigned by the Subordinated Indenture to the Trustee for the benefit of the Bondowners, are to be deposited in the Accounts and Subaccounts described in the Subordinated Indenture and established by the Subordinated Indenture, and, upon deposit with the Trustee in said Accounts and Subaccounts, shall not be subject to any lien or attachment by any creditor of the Authority or any Credit Provider or other person other than the lien of the Subordinated Indenture.

The Authority has created and shall maintain or cause to be maintained the following Accounts and Subaccounts to be held by the Trustee and administered as trust funds under and pursuant to the terms of the Subordinated Indenture, or held and administered by the Authority or the Government as hereinafter provided:

- (1) The Cruzan Pledged Revenue Account to be held by the Trustee;
- (2) The Senior Lien Debt Service Account, to be held by the Trustee with such separate Subaccounts therein as shall be provided in the Subordinated Indenture or in the applicable Supplemental Subordinated Indenture creating a Series of Senior Lien Bonds, including, as applicable, any of the following accounts therein:
 - Senior Lien Interest Subaccount;
 - Senior Lien Principal Subaccount;
 - Senior Lien Redemption Subaccount;

- Senior Lien Credit Subaccount with respect to each Credit Facility;
- Senior Lien Expense Subaccount;
- Senior Lien Purchase Subaccount;
- Senior Lien Capitalized Interest Subaccount; and
- any other Account or Subaccount established by the applicable Supplemental Subordinated Indenture;

(3) The Senior Lien Debt Service Reserve Account, to be held by the Trustee, with such separate Senior Lien Debt Service Reserve Subaccounts and Senior Lien Credit Subaccounts therein as the Authority shall determine in any Supplemental Subordinated Indenture authorizing a Series of Senior Lien Bonds;

(4) The Second Lien Debt Service Account, to be held by the Trustee with such separate Subaccounts therein as shall be provided in the Subordinated Indenture or in the applicable Supplemental Subordinated Indenture creating a Series of Second Lien Bonds, including, as applicable, any of the following accounts therein:

- Second Lien Interest Subaccount;
- Second Lien Principal Subaccount;
- Second Lien Redemption Subaccount;
- Second Lien Credit Subaccount with respect to each Credit Facility;
- Second Lien Expense Subaccount;
- Second Lien Purchase Subaccount;
- Second Lien Capitalized Interest Subaccount; and
- any other Account or Subaccount established by the applicable Supplemental Subordinated Indenture.

(5) The Second Lien Debt Service Reserve Account, to be held by the Trustee, with such separate Second Lien Debt Service Reserve Subaccounts and Second Lien Credit Subaccounts therein as the Authority shall determine in any Supplemental Subordinated Indenture authorizing a Series of Second Lien Bonds;

(6) The Construction Account, to be held by the Trustee with such separate Subaccounts therein as the Authority shall determine in any Supplemental Subordinated Indenture;

(7) The Cost of Issuance Account and such subaccounts therein as the Authority shall determine in any Supplemental Subordinated Indenture, to be held by the Trustee;

(8) A Rebate Account, to be held by the Trustee;

- (9) A Government Account to be held by the Government;
- (10) A Cruzan Surplus Receipts Account to be held by the Trustee; and
- (11) A Surplus Account, to be held by the Authority.

All moneys received by the Trustee as elsewhere in the Subordinated Indenture provided or as provided in a Supplemental Subordinated Indenture to be held and applied under the Subordinated Indenture (other than amounts in or required to be paid to the Trustee) and whose disposition is not specifically provided for elsewhere in the Subordinated Indenture or in a Supplemental Subordinated Indenture, including, but not limited to the investment income of all moneys held by the Trustee under the Subordinated Indenture (all such moneys being in the Subordinated Indenture sometimes called "Cruzan Trust Moneys") shall be held by the Trustee as a part of the Cruzan Trust Estate, and, upon the exercise by the Trustee of any remedy specified in the Subordinated Indenture, such Cruzan Trust Moneys shall be applied in accordance with the Subordinated Indenture, except to the extent that the Trustee is holding Cruzan Trust Moneys and/or Government Obligations for the payment of any specified Series of Subordinated Revenue Bonds or a specific portion thereof which are no longer deemed to be Outstanding under the provisions of the Subordinated Indenture, which moneys and/or Government Obligations shall be applied only as provided in said the Subordinated Indenture. Prior to such application pursuant to the Subordinated Indenture, all or any part of the Cruzan Trust Moneys shall be held, invested, withdrawn, paid or applied by the Trustee, from time to time, as provided in the Subordinated Indenture.

Notwithstanding any other provision of the Subordinated Indenture, a Supplemental Subordinated Indenture may provide with respect to any Subordinated Revenue Bonds which are, at the relevant time, secured by a Credit Facility, that moneys for the payment of principal or Redemption Price of, premium, if any, and interest on such Subordinated Revenue Bonds shall be drawn from the Credit Facility and in connection therewith the Supplemental Subordinated Indenture which creates such Subordinated Revenue Bonds may provide for the application of Cruzan Trust Moneys in the related Subaccounts in the applicable Debt Service Account to reimburse the Credit Provider for such drawing if required or permitted by a Rating Agency in connection with the assignment of a credit rating to such Subordinated Revenue Bonds.

Notwithstanding any other provision of the Subordinated Indenture, a Supplemental Subordinated Indenture may, with respect to any Qualified Swap Agreement executed and delivered in connection with any one or more Series of Subordinated Revenue Bonds and to which reference was made in the Supplemental Subordinated Indenture creating such Series of Subordinated Revenue Bonds, provide for the application of Cruzan Trust Moneys in the related Subaccounts in the applicable Debt Service Account to make any required net payments due under such Qualified Swap Agreement on a parity with interest payments on Subordinated Revenue Bonds if required or permitted by a Rating Agency in connection with the assignment of a credit rating to such Subordinated Revenue Bonds; provided, however, that termination payments under Qualified Swap Agreements shall not be payable on a parity with payments on the Subordinated Revenue Bonds.

Construction Account.

There shall be deposited into the Construction Account the amounts required by the provisions of the Subordinated Indenture and each Supplemental Subordinated Indenture.

There also may be deposited into the Construction Account, at the option of the Authority, any moneys received by the Authority from any source unless otherwise required to be applied by the Subordinated Indenture or any supplemental Subordinated Indenture.

Amounts in the Construction Account shall be used to pay any or all of the following: (i) the costs of the Cruzan Project and (ii) with respect to special subaccounts created within the Construction Account by a Supplemental Subordinated Indenture, to pay all amounts authorized by such Supplemental Subordinated Indenture. Except as otherwise provided money in the Construction Account shall be paid out pursuant to a requisition of the Authority and approved in accordance with the Act or other law governing the disbursement of Authority funds.

Amounts in the Construction Account may be transferred to a Debt Service Account and applied to the payment of interest on or principal or redemption price of the Subordinated Revenue Bonds when due, to the extent that other funds held for those purposes are insufficient and to the extent that the Authority certifies such amounts are not then obligated to pay costs of the Cruzan Project.

Notwithstanding anything elsewhere in the Subordinated Indenture or any Supplemental Subordinated Indenture to the contrary, the Rebate Requirement amounts, if any, attributable to Tax-Exempt Subordinated Revenue Bonds and on deposit in the Construction Accounts shall be transferred to the Rebate Account.

Cruzan Pledged Revenue Account.

The Trustee shall deposit to the Cruzan Pledged Revenue Account as received from the Cruzan Special Escrow Agent pursuant to the Cruzan Escrow Agreement all Cruzan Matching Fund Revenues received under the Matching Fund Loan Notes, the amounts required by the Subordinated Indenture and Cruzan Agreement, and such other Cruzan Matching Fund Revenues as may be received by the Trustee which are designated for deposit to the Cruzan Pledged Revenue Account under a Supplemental Subordinated Indenture or pursuant to the Cruzan Agreement.

Application of Cruzan Pledged Revenue Account.

Amounts in the Cruzan Pledged Revenue Account shall be transferred annually not later than the Business Day preceding the first day of each Bond Year to Accounts and Subaccounts created under the Subordinated Indenture, so long as any Subordinated Revenue Bonds remain Outstanding under the Subordinated Indenture, in the following amounts and in the following order of priority:

(i) (1) to each Senior Lien Interest Subaccount, (A) for any Senior Lien Bonds which are Fixed Interest Rate Subordinated Revenue Bonds, an amount that, when added to any amounts on deposit in such Subaccounts, will equal 100% of that portion of the Adjusted Debt Service Requirements accruing or to accrue for all Interest Payment Periods which commence during the current Bond Year (whether or not any such Interest Payment Period ends within such current Bond Year) for such Senior Lien Bonds and (B) for any Senior Lien Bonds which are Fixed Interest Rate Subordinated Revenue Bonds, beginning in the first month of each Bond Year, an amount that, when added to any amounts on deposit in such Subaccounts, will equal 100% of that portion of the Adjusted Debt Service Requirements accruing or to accrue with respect to all Interest Payment Periods which commence during the current Bond Year (whether or not any such Interest Payment Period ends within such current Bond Year) for such Subordinated Revenue Bonds (such transfers to be subject to the credits provided for below in clause 2 of this paragraph (i);

(2) subject in each case to any credit with respect to any amounts on deposit in the Senior Lien Capitalized Interest Subaccount and any earnings thereon to the extent required to be used and available for payment of interest on specific Senior Lien Bonds as contemplated in any applicable Supplemental Subordinated Indenture and, in connection with paragraph (1) above, (A) any net payment which the Authority is required to make with respect to any Qualified Swap Agreement shall be treated in the same manner and shall have the same claim upon pledged Cruzan Matching Fund Revenues as interest on the Series of Senior Lien Bonds to which such Qualified Swap Agreement shall relate and (B) as of each Interest Payment Date for Senior Lien Bonds which are described in paragraph (i)(1)(B) above, to the extent that the actual interest payable with respect to such Senior Lien Bonds for any Interest Payment Period is less than the amount deposited into the Senior Lien Interest Subaccount, then the excess amount so deposited shall be applied as a credit to reduce the amount otherwise required to be deposited in the next succeeding month or months pursuant to the Subordinated Indenture; and then

(ii) to each Senior Lien Principal Subaccount, beginning in the first month of each Bond Year, an amount that, when added to any amounts on deposit in such subaccount, will equal 100% of the principal due on the next succeeding Principal Payment Date on all Series of Senior Lien Bonds payable from such Senior Lien Principal Subaccount; and then

(iii) to each Senior Lien Credit Subaccount, an amount sufficient to pay any principal or interest then owing to a Credit Provider under the applicable Supplemental Subordinated Indenture and Credit Agreement by reason of any drawing of amounts under the related Credit Facility for the payment of principal of or interest or premium on any Senior Lien Bonds, provided that the amount transferred pursuant to the Subordinated Indenture shall in no event be greater than the sum of (1) amounts received under the related Credit Facility for payment of amounts to or for the benefit of Owners of Senior Lien Bonds secured by such Credit Facility and (2) interest thereon at the lesser of (A) the rate specified in the Credit Agreement or (B) the applicable rate of interest on the Senior Lien Bonds or Subordinated Revenue Bonds paid out of the proceeds of such Credit Facility;

(iv) to each Senior Lien Redemption Subaccount, the amount of Cruzan Matching Fund Revenues required to redeem Senior Lien Bonds subject to redemption pursuant to the related Supplemental Subordinated Indenture; and then

provided, that the amounts of the transfers described in (i), (ii), (iii) and (iv) above shall be reduced to the extent of moneys previously transferred or required to be transferred to said Accounts under other provisions of the Subordinated Indenture or of a Supplemental Subordinated Indenture; and then

(v) to the Senior Lien Debt Service Reserve Account and ratably to each Account therein (if applicable), the amount of any transfer required by the Subordinated Indenture to restore any deficiency in the Senior Lien Debt Service Reserve Account and any Subaccount therein; and then

(vi) to each Senior Lien Expense Subaccount, any amounts then due and owing to the Trustee, any Paying Agent, the Remarketing Agent, the Subordinated Bond Registrar, any Credit Provider, the Cruzan Special Escrow Agent or other Fiduciary which are Bond Service Charges or Bond Related Costs for Senior Lien Bonds relating to the administration (including remarketing) and the Authority's Annual Administrative Fee which otherwise have not been provided for in (i), (ii), (iii) or (iv) above; and then

(vii) to each Rebate Account the amount required to comply with the Subordinated Indenture for Senior Lien Bonds and such amounts shall be applied as provided in the Subordinated Indenture; and then

(viii) (1) to each Second Lien Interest Subaccount, (A) for any Second Lien Bonds which are Fixed Interest Rate Subordinated Revenue Bonds, an amount that when added to any amounts on deposit in such Subaccounts, will equal 100% of that portion of the Adjusted Debt Service Requirements accruing or to accrue for all Interest Payment Periods which commence during the current Bond Year (whether or not any such Interest Payment Period ends within such current Bond Year) for such Second Lien Bonds and (B) for any Second Lien Bonds which are not Fixed Interest Rate Bonds, not later than the Business Day preceding the first day of each Bond Year, an amount that, when added to any amounts on deposit in such Subaccounts, will equal 100% of that portion of the Adjusted Debt Service Requirements accruing or to accrue with respect to all Interest Payment Periods that commence during the current Bond Year (whether or not any such Interest Payment Period ends within such current Bond Year) for such Subordinated Revenue Bonds (such transfers to be subject to the credits provided for below in clause (2) of this paragraph (viii));

(2) subject in each case to any credit with respect to any amounts on deposit in the Second Lien Capitalized Interest Subaccount to be used for Capitalized Interest and any earnings thereon to the extent required to be used and available for payment of interest on specific Second Lien Bonds as contemplated in any applicable Supplemental Subordinated Indenture and, in connection with paragraph (1) above, (A) any net payment which the Authority is required to make with respect to any Qualified Swap Agreement shall be treated in the same manner and shall have the same claim upon Cruzan Matching Fund Revenues as interest on the Series of Second Lien Bonds to which such Qualified Swap Agreement shall relate and (B) as of each Interest Payment Date for Second Lien Bonds which are described in paragraph (viii)(1)(B) above, to the extent that the actual interest payable with respect to such Second Lien Bonds in any Interest Payment Period is less than the amount deposited into the Second Lien Interest Subaccount, then the excess amount so deposited shall be applied as a credit to reduce the amount

otherwise required to be deposited on the Business Day next preceding the first day of each Bond Year pursuant to the Subordinated Indenture; and then

(ix) to each Second Lien Principal Subaccount, on not later than the Business Day preceding the first day of each Bond Year, an amount that, when added to any amounts on deposit in such subaccount, will equal 100% of the principal due on the next succeeding Principal Payment Date on the Series of Second Lien Bonds payable from such Second Lien Principal Subaccount; and then

(x) to each Second Lien Credit Subaccount, an amount sufficient to pay any principal or interest then owing to a Credit Provider under the applicable Supplemental Subordinated Indenture and Credit Agreement by reason of any drawing of amounts under the related Credit Facility for the payment of principal of or interest or premium on any Second Lien Bonds, provided that the amount transferred pursuant to the Subordinated Indenture shall in no event be greater than the sum of (1) amounts received under the related Credit Facility for payment of amounts to or for the benefit of Owners of Second Lien Bonds secured by such Credit Facility and (2) interest thereon at the lesser of (A) the rate specified in the Credit Agreement or (B) the applicable rate of interest on the Second Lien Bonds or Subordinated Revenue Bonds paid out of the proceeds of such Credit Facility;

(xi) to each Second Lien Redemption Subaccount, the amount of Cruzan Matching Fund Revenues required to redeem Second Lien Bonds subject to redemption pursuant to the related Supplemental Subordinated Indenture; and then

(xii) to the Second Lien Debt Service Reserve Account and ratably to each Subaccount therein (if applicable), the amount of any transfer required by the Subordinated Indenture to restore any deficiency in the Second Lien Debt Service Reserve Account and any Subaccount therein; and then

(xiii) to each Second Lien Expense Subaccount, any amounts then due and owing to the Trustee, any Paying Agent, the Remarketing Agent, the Subordinated Bond Registrar, any Credit Provider, the Cruzan Special Escrow Agent or other Fiduciary which are Bond Service Charges or Bond Related Costs for Second Lien Bonds relating to the administration (including remarketing) and the Authority's Annual Administrative Fee which otherwise have not been provided for in (viii), (ix), (x), (xi) and (xii) above; and then

provided, that the amounts of the transfers described in (ix), (x), (xi), (xii) and (xiii) shall be reduced to the extent of moneys previously transferred or required to be transferred to said Accounts under other provisions of this heading or of a Supplemental Subordinated Indenture; and then

(xiv) to each Rebate Account in the amount required to comply with the Subordinated Indenture for Second Lien Bonds and such amounts shall be applied as provided in the Subordinated Indenture; and then

(xv) to the Government Account in the amount certified by the Calculation Agent in accordance with the Cruzan Special Escrow Agreement and subject to any adjustment in accordance with the Cruzan Agreement; and then

(xvi) to the Cruzan Surplus Receipts Account in the amount certified by the Calculation Agent in accordance with the Cruzan Special Escrow Agreement as required to comply with the Cruzan Agreement; and then

(xvii) except as may be provided in one of more Supplemental Subordinated Indentures to the contrary, to the Surplus Account for application pursuant to the Subordinated Indenture.

At the close of each Bond Year, the Trustee shall deliver to the Authority and its financial advisor, as designated by the Authority, a written statement setting forth the Debt Service paid in such Bond Year and the closing balance of the Debt Service Reserve Account for such Bond Year. The Trustee shall make such statement available upon the written request of any Bondholder.

Senior Lien Debt Service Accounts and Subaccounts Therein.

There shall be deposited into the Senior Lien Debt Service Account all amounts required to be remitted, transferred or otherwise deposited therein as provided in the Subordinated Indenture together with such additional amounts to be deposited into various specified Subaccounts within the Senior Lien Debt Service Account as described in the Subordinated Indenture.

Senior Lien Interest Subaccount.

(i) There shall be deposited in each Senior Lien Interest Subaccount, upon issuance of each Series of Senior Lien Bonds, the amount of accrued interest received from the sale of such Subordinated Revenue Bonds and there shall be deposited thereafter all other amounts required by the Subordinated Indenture. If on any Interest Payment Date there are not sufficient amounts on deposit in the Senior Lien Interest Subaccount to pay the total amount of interest coming due on the Senior Lien Bonds on such Interest Payment Date, the Trustee shall forthwith transfer to the Senior Lien Interest Subaccount from other funds or accounts, in the order listed in the Subordinated Indenture, an amount equal to the deficiency. Interest income derived from the investment of amounts on deposit in the Senior Lien Interest Subaccount of the Senior Lien Debt Service Account shall remain in such Senior Lien Interest Subaccount and shall be credited against the amount next due to be transferred to such Senior Lien Interest Subaccount from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture. Notwithstanding the foregoing, any Rebate Amount on deposit in such Senior Lien Interest Subaccount shall be transferred to the Rebate Account at the direction of the Authority.

(ii) On each Interest Payment Date for Senior Lien Bonds the Trustee shall withdraw from the Senior Lien Interest Subaccount an amount sufficient to pay the interest coming due on the Senior Lien Bonds on such Interest Payment Date and shall use such amounts to pay or make provision with the Paying Agent for the payment of, interest on the Senior Lien Bonds on such Interest Payment Date; provided, however, that if and to the extent payment of interest on the Senior Lien Bonds, or any Series thereof or specific portion thereof, shall be made from moneys drawn under a Credit Facility, the Trustee shall transfer to the Senior Lien Credit Subaccount relating to such Series of Senior Lien Bonds or specific portion thereof and remit to the Credit Provider from said Subaccount in such Senior Lien Credit Subaccount, on the Interest Payment Date, all moneys provided by Credit Facility proceeds or otherwise apply such moneys as provided in the related Supplemental Subordinated Indenture, Credit Agreement, Related Agreement or Related Document.

Senior Lien Principal Subaccount.

(i) There shall be transferred to the Senior Lien Principal Subaccount, on the first day of each Bond Year, the amount required to be transferred from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture. If on any Principal Payment Date there are not sufficient amounts on deposit in the Senior Lien Principal Subaccount to pay the total amount of principal coming due on the Subordinated Revenue Bonds on such Principal Payment Date, the Trustee shall forthwith transfer to the Senior Lien Principal Subaccount from other Accounts, in the order listed in the Subordinated Indenture, an amount equal to the deficiency. All interest income derived from the investment of amounts on deposit in the Senior Lien Principal Subaccount shall remain in the Senior Lien Principal Subaccount and be credited against the amount next due to be transferred to the Senior Lien Principal Subaccount from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture. Notwithstanding the foregoing, any Rebate Amount on deposit in the Senior Lien Principal Subaccount shall be transferred to the Rebate Account at the direction of the Authority.

(ii) Amounts on deposit from time to time in the Senior Lien Principal Subaccount shall be used on any Interest Payment Date to provide sums equal to any deficiency in the Senior Lien Interest Subaccount as provided in the Subordinated Indenture.

(iii) On or before each Principal Payment Date for Senior Lien Bonds, the Trustee shall withdraw from the Senior Lien Principal Subaccount an amount sufficient to pay the scheduled principal coming due on the Senior Lien Bonds on such Principal Payment Date, and shall use such amounts to pay, or make provision with the Paying Agents for the payment of, principal of the Subordinated Revenue Bonds on such Principal Payment Date, whether by reason of stated maturity or by reason of Mandatory Sinking Fund; provided, however, that if and to the extent payment of principal coming due on the Senior Lien Bonds, or any Series thereof or specific portion thereof, shall be made from moneys drawn under a Credit Facility, the Trustee shall transfer to the subaccount within the Senior Lien Credit Subaccount related to such Series of Senior Lien Bonds or specific portion thereof and remit to the Credit Provider from said Subaccount within the Senior Lien Credit Subaccount, on the Principal Payment Date on which payment is made, all moneys then on deposit in the Senior Lien Principal Subaccount provided by Credit Facility proceeds or otherwise apply such moneys as provided in the related Supplemental Subordinated Indenture, Credit Agreement, Related Agreement or Related Document.

Senior Lien Redemption Subaccount.

(i) Any amounts to be used to prepay Senior Lien Bonds by the Authority shall be deposited in the Senior Lien Redemption Subaccount related to such Series of Subordinated Revenue Bonds to be redeemed and applied as provided by the Supplemental Subordinated Indenture or, if no provision is made by the applicable Supplemental Subordinated Indenture, such amounts at the direction of the Authority shall be applied to purchase Senior Lien Bonds to be surrendered to the Trustee as a credit against Debt Service Requirements when due or to pay the principal of and premium, if any, of the Senior Lien Bonds then subject to and called for redemption.

(ii) If the Series of Senior Lien Bonds to be redeemed (or any specific Senior Lien Bonds within such Series) is secured by a Credit Facility, and the related Credit Facility or Credit Agreement provides that payment of principal of such Series of Senior Lien Bonds (or specific Senior Lien Bonds within such Series) will be made from such Credit Facility, the Trustee shall transfer to the subaccount within the Senior Lien Credit Subaccount related to such

Series of Senior Lien Bonds and remit to the Credit Provider from such subaccount within the Senior Lien Credit Subaccount, on the redemption date, all moneys then on deposit in the Senior Lien Redemption Subaccount provided by Credit Facility proceeds.

(iii) Any funds transferred to the Senior Lien Redemption Subaccount from a Construction Account as excess proceeds shall be applied only to redeem Senior Lien Bonds of the Series from which such Construction Account proceeds were derived, if any such Senior Lien Bonds are Outstanding. Other funds transferred to the Senior Lien Redemption Subaccount shall be applied to redeem Senior Lien Bonds then subject to redemption as provided in the applicable Supplemental Subordinated Indenture or, if the Supplemental Subordinated Indenture does not specifically so provide, as the Authority shall direct in writing.

(iv) All income derived from the investment of amounts on deposit in the Senior Lien Redemption Subaccount shall be transferred to the Senior Lien Interest Subaccount and applied as a credit against the amounts next due to be transferred to the Senior Lien Interest Subaccount from the Cruzan Pledged Revenue Account provided in the Subordinated Indenture. Notwithstanding the foregoing, any Rebate Amount on deposit in the Senior Lien Redemption Subaccount shall be transferred to the Rebate Account at the direction of the Authority.

(v) Notwithstanding any other provisions of the Subordinated Indenture, moneys on deposit in the Senior Lien Redemption Subaccount may be withdrawn therefrom only to the extent that such moneys have not theretofore been committed to the purchase or redemption of Senior Lien Bonds for which proper notice has been given.

Senior Lien Expense Subaccount.

(i) The Trustee shall create a separate Senior Lien Expense Subaccount for each Series of Senior Lien Bonds with such subaccounts therein as the Authority shall from time to time provide, unless the Authority provides in a Supplemental Subordinated Indenture or otherwise directs in writing that one such Account shall relate to Senior Lien Bonds of more than one Series.

(ii) The Trustee shall transfer from the Cruzan Pledged Revenue Account to the Senior Lien Expense Subaccount the amounts directed by the Subordinated Indenture for the payment of amounts therein specified.

(iii) All income derived from the investment of amounts on deposit in the Senior Lien Expense Subaccount shall be retained therein and applied as a credit against the amounts next due to be transferred to the Senior Lien Expense Subaccount from the Cruzan Pledged Revenue Account as provided in the Subordinated Indenture.

Purchase or Repayment of Subordinated Revenue Bonds at Request of Authority; Senior Lien Purchase Subaccount.

(i) The Trustee shall deposit funds in the Senior Lien Purchase Subaccount as follows and as provided in any Supplemental Subordinated Indenture:

(1) the proceeds of remarketing of Senior Lien Bonds, except to the extent such proceeds are required by the terms of a Supplemental Subordinated Indenture and related Remarketing Agreement to be paid to Bondowners selling such Senior Lien Bonds or to a Credit Provider which has provided the funds required to purchase such Senior Lien Bonds;

- (2) funds provided by a Credit Provider to purchase Senior Lien Bonds;
- (3) other funds provided to the Trustee by the Authority or any other Person accompanied by a written direction to deposit such funds in the Senior Lien Purchase Subaccount; and
- (4) any other funds required to be so deposited by a Supplemental Subordinated Indenture.
 - (ii) Cruzan Funds from time to time held in the Senior Lien Purchase Subaccount shall be disbursed therefrom as provided in the related Supplemental Subordinated Indenture, or as directed in writing by the Authority, which direction may not be inconsistent with the other provisions of the Subordinated Indenture or the applicable related Supplemental Subordinated Indenture.
 - (iii) Unless otherwise provided in the applicable Supplemental Subordinated Indenture, all income derived from the investment of amounts on deposit in the Senior Lien Purchase Subaccount shall be transferred upon receipt to the Cruzan Pledged Revenue Account.

Senior Lien Credit Subaccount.

- (i) To the extent so provided in the applicable Supplemental Subordinated Indenture, the Trustee shall create a separate Senior Lien Credit Subaccount within the Senior Lien Debt Service Account for each Series of Senior Lien Bonds (or specific Senior Lien Bonds within a Series) secured by a Credit Facility. In addition, for any Credit Facility which constitutes a bond insurance policy or similar instrument pursuant to which the Credit Provider is entitled to subrogation rights as to amounts paid to Bond Owners secured thereby, the Supplemental Subordinated Indenture relating thereto may provide for payment directly to such Credit Provider of available amounts in the Senior Lien Principal and Interest Subaccounts by reason of such subrogation rather than establishing a Senior Lien Credit Subaccount and requiring a transfer of such amounts thereto prior to payment of such amounts to such Credit Provider.
- (ii) All amounts drawn under a Credit Facility for which a Senior Lien Credit Subaccount is established to pay the principal or Redemption Price of, Purchase Price of, premium, if any, and interest on, any Series of Senior Lien Bonds or a specific portion thereof, shall be deposited in the related Senior Lien Principal Subaccount, Senior Lien Interest Subaccount, Senior Lien Purchase Subaccount or other Account created under the related Supplemental Subordinated Indenture and the Trustee shall apply such amounts to the purpose for which they were drawn, as further provided in the related Supplemental Subordinated Indenture, Credit Agreements, Related Agreements or Related Documents. Promptly upon such deposit and application, the Trustee shall transfer from the appropriate Account or Subaccount to the applicable Senior Lien Credit Subaccount all Cruzan Matching Fund Revenues or other amounts provided by Credit Facility proceeds or such Cruzan Matching Fund Revenues, or other amounts which become available by reason of the application of such Credit Facility proceeds as provided in the Supplemental Subordinated Indenture, all of which amounts shall not exceed the amounts drawn on the Credit Facility and deposited pursuant to the first sentence of this paragraph plus interest thereon at a rate which is the lesser of (1) the interest rate specified in the Credit Agreement or (2) the interest rate or rates on the Senior Lien Bonds paid with the proceeds of the Credit Facility. The Trustee shall remit such amounts from the applicable Senior Lien Credit Subaccount to the applicable Credit Provider as shall be provided in the related Supplemental Subordinated Indenture or Credit Agreement.

(iii) The proceeds of any Credit Facility issued in connection with and for the benefit of any Series of Senior Lien Bonds (or specific Senior Lien Bonds within a Series) shall be deposited as provided in this subsection and the Supplemental Subordinated Indenture for the related Series of Senior Lien Bonds (or specific Senior Lien Bonds within a Series) and shall be transferred and/or applied solely for the benefit of the Bondowners of the Series of Subordinated Revenue Bonds (or specific Subordinated Revenue Bonds within a Series) to which the Credit Facility relates; and, accordingly, the Owners of the Subordinated Revenue Bonds of any other Series shall not be entitled to the benefit of, or receive, the proceeds of a Credit Facility which does not secure the Subordinated Revenue Bonds held by Owners.

(iv) The provisions of this subsection are subject in all respects to the terms and conditions of each Credit Facility, Credit Agreement, Related Agreements, Related Documents and the related Supplemental Subordinated Indenture.

Senior Lien Capitalized Interest Subaccount.

Except as provided in a Supplemental Subordinated Indenture with respect to a Series of Senior Lien Bonds, to the extent available therein, on each date Cruzan Matching Fund Revenues are transferred pursuant to the Subordinated Indenture, the Trustee shall transfer from the Senior Lien Capitalized Interest Subaccount to any related Senior Lien Interest Subaccount, the amount of interest required to be transferred pursuant to the Subordinated Indenture. Each transfer shall be made on or immediately prior to the day on which the Trustee transfers or otherwise remits Cruzan Matching Fund Revenues as provided in the Subordinated Indenture and shall be credited against the transfer then due from the Cruzan Pledged Revenue Account. Investment income on amounts held in the Senior Lien Capitalized Interest Subaccount (net of investment losses and amounts required to be transferred to the Rebate Account) shall be credited to the Senior Lien Capitalized Interest Subaccount.

Pro Rata Payments.

In the event the amount then on deposit in the Senior Lien Interest Subaccount or the Senior Lien Principal Subaccount on an Interest Payment Date or Principal Payment Date is not sufficient to pay to the Owners of the Senior Lien Bonds the full amount of interest on and principal of all Outstanding Senior Lien Bonds then due and such deficiency cannot be cured as provided in the Subordinated Indenture, the Trustee shall nonetheless pay out all moneys on deposit in the Senior Lien Interest Subaccount and Senior Lien Principal Subaccount to the Persons entitled thereto, pro rata according to the amount owed to each (subject in all events to any provisions to the contrary as to Cruzan Credit Facilities or other amounts which a Supplemental Subordinated Indenture may pledge or otherwise provide for under procedures by which specific Cruzan Matching Fund Revenues thereunder are for the specific benefit of a Series of Senior Lien Bonds or specific Senior Lien Bonds within a Series).

Deficiencies in the Senior Lien Interest Subaccount or Senior Lien Principal Subaccount.

In the event, on an Interest Payment Date or Principal Payment Date, the amount then on deposit in the Senior Lien Interest Subaccount or the Senior Lien Principal Subaccount is not sufficient to pay to the Owners of the Senior Lien Bonds the full amount of interest on or principal of all Outstanding Senior Lien Bonds then due, the Trustee shall promptly notify the Authority of such fact and thereafter, to the extent that the Authority fails to immediately cure such insufficiency with a draw from the Surplus Subaccount, the Trustee shall draw in the

following order, and transfer to the Senior Lien Interest Subaccount or Senior Lien Principal Subaccount, as appropriate, an amount equal to the deficiency;

- (i) the Cruzan Pledged Revenue Account;
- (ii) any Senior Lien Redemption Subaccount or any Second Lien Redemption Subaccount (other than amounts held therein to pay and redeem Subordinated Revenue Bonds for which notice of redemption has theretofore been given, and amounts held therein to defease Outstanding Subordinated Revenue Bonds pursuant to the Subordinated Indenture);
- (iii) the Construction Account (to the extent held by the Trustee and such application is permitted by the Supplemental Subordinated Indenture governing same and the Authority certifies that such amounts are not required for payment of costs of the Cruzan Project);
- (iv) the Series Subaccount of the Senior Lien Debt Service Reserve Account if the payment is for principal of or interest on the related Series of Senior Lien Bonds;
- (v) the Senior Lien Principal Subaccount (for deficiencies in the Senior Lien Interest Subaccount); and
- (vi) the Senior Lien Interest Subaccount (for deficiencies in the Senior Lien Principal Subaccount).

Deficiencies in the Senior Lien Interest Subaccount shall be fully cured prior to curing any deficiency in the Senior Lien Principal Subaccount.

Senior Lien Debt Service Reserve Account.

An initial deposit to the credit of the Series Subaccount of the Senior Lien Debt Service Reserve Account is to be made by the Trustee from the proceeds of each Series of Senior Lien Bonds in an amount equal to the Debt Service Reserve Requirement (if any) for that Series established in the Supplemental Subordinated Indenture. Thereafter each Series Subaccount of the Senior Lien Debt Service Reserve Account shall be maintained at the Debt Service Reserve Requirement for the related Series by transfers to the Senior Lien Debt Service Reserve Account from the Cruzan Pledged Revenue Account as provided in the Subordinated Indenture; provided, however, (i) in the event the amount on deposit in a Series Subaccount of the Senior Lien Debt Service Reserve Account is less than the Debt Service Reserve Requirement for the related Series because of a transfer required by the Subordinated Indenture, then the Authority shall be required to restore the deficiency caused thereby (1) to the extent there are any amounts on deposit in the Surplus Account, by the transfer to the Trustee for deposit into the Series Subaccount of the Senior Lien Debt Service Reserve Account of the full amount on deposit in the Surplus Account or such lesser amount as will cure such deficiency in the Senior Lien Debt Service Reserve Account and, to the extent the full deficiency cannot be so cured, such amounts shall be applied ratably to each Series Subaccount within the Senior Lien Debt Service Reserve Account which has a deficiency, and (2) to the extent any deficiency remains following application as provided in the Subordinated Indenture, by transfer of Cruzan Matching Fund Revenues pursuant to the Subordinated Indenture until such deficiency is remedied, and (ii) in the event the amount on deposit in the Series Subaccount of the Senior Lien Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement for the related Series because of any valuation of the investment securities as determined by application of the Subordinated Indenture, the Authority

shall be required to restore the deficiency caused thereby by transfers of Cruzan Matching Fund Revenues pursuant to the Subordinated Indenture annually no later than the first day of the Bond Year following a determination that such deficiency exists.

If on any Interest Payment Date there are not sufficient amounts on deposit in the Senior Lien Interest Subaccount to pay the total amount of interest coming due on any Senior Lien Bonds entitled to the benefit and security of a Subaccount of the Senior Lien Debt Service Reserve Account on such Interest Payment Date or if on any Principal Payment Date there are not sufficient amounts on deposit in the Senior Lien Principal Subaccount to pay the total amount of principal coming due on any Senior Lien Bonds entitled to the benefit and security of the Senior Lien Debt Service Reserve Account on such Principal Payment Date, and after making the transfers required to be made from other Accounts as provided in the Subordinated Indenture prior to a transfer from the Senior Lien Debt Service Reserve Account, the Trustee shall transfer sums on deposit in the Senior Lien Debt Service Reserve Account, as provided in the Subordinated Indenture to the Senior Lien Interest Subaccount or Senior Lien Principal Subaccount, as the case may be, in an amount sufficient to make up any such deficiency for any Senior Lien Bonds entitled to the benefit and security of the related Subaccount of the Senior Lien Debt Service Reserve Account.

All income derived from the investment of amounts on deposit in the Senior Lien Debt Service Reserve Account and any Subaccount therein shall be retained therein at all times when the amount on deposit in the Senior Lien Debt Service Reserve Account is less than the Debt Service Reserve Requirement for the Senior Lien Bonds. Whenever the moneys and Permitted Investments on deposit in the Senior Lien Debt Service Reserve Account shall be determined to exceed the Debt Service Reserve Requirement for Outstanding Senior Lien Bonds, such excess shall, subject to the Subordinated Indenture, and except as otherwise required by the Subordinated Indenture, be deposited first, to the extent that the amount transferred in the Senior Lien Debt Service Accounts and Subaccounts from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture was less than the amount required to be transferred pursuant to the Subordinated Indenture in the Debt Service Reserve Accounts and Subaccounts, then to the Construction Account until completion of construction of the Cruzan Project, and then, at the written direction of the Authority any remaining amount to the Rebate Account or the Surplus Account.

The Trustee shall purchase at the specific direction of the Authority:

(i) Permitted Investments with the moneys deposited in the Senior Lien Debt Service Reserve Account on the date of initial issuance and delivery of the Senior Lien Bonds; and

(ii) Permitted Investments from time to time upon the maturity or prior redemption of the Permitted Investments purchased pursuant to clause (i).

The investment instructions contained in the Subordinated Indenture shall at all times be subject to the requirements of the Subordinated Indenture and any further direction from the Authority to the Trustee.

In the event of the refunding of any Subordinated Revenue Bonds, the Trustee shall, at the direction of the Authority, withdraw from the Senior Lien Debt Service Reserve Account or the Second Lien Debt Service Reserve Account, as applicable, all, or any portion of, the amounts accumulated therein with respect to the Subordinated Revenue Bonds being refunded

and deposit such amounts with the Paying Agent as directed by the Authority to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Subordinated Revenue Bonds being refunded; provided that such withdrawal shall not be made unless (i) immediately thereafter the Subordinated Revenue Bonds being refunded shall be deemed to have been paid pursuant to the Subordinated Indenture, and (ii) the amount remaining in the Debt Service Reserve Account, after giving effect to the issuance of the refunding Subordinated Revenue Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement for all Outstanding Senior Lien Bonds.

Second Lien Debt Service Accounts and Subaccounts Therein.

There shall be deposited into the Second Lien Debt Service Account all amounts required to be remitted, transferred or otherwise deposited therein as provided in the Subordinated Indenture together with such additional amounts to be deposited into various specified Subaccounts within the Second Lien Debt Service Account as described under this heading.

Second Lien Interest Subaccount.

(i) There shall be deposited in each Second Lien Interest Subaccount, upon issuance of each Series of Second Lien Bonds, the amount of accrued interest received from the sale of such Subordinated Revenue Bonds and shall be deposited monthly all other amounts required by the Subordinated Indenture. If on any Interest Payment Date there are not sufficient amounts on deposit in the Second Lien Interest Subaccount to pay the total amount of interest coming due on the Second Lien Bonds on such Interest Payment Date, the Trustee shall forthwith transfer to the Second Lien Interest Subaccount from other Accounts or Subaccounts, in the order listed in the Subordinated Indenture, an amount equal to the deficiency. Interest income derived from the investment of amounts on deposit in the Second Lien Interest Subaccount of the Second Lien Debt Service Account shall remain in such Second Lien Interest Subaccount and shall be credited against the amount next due to be transferred to such Second Lien Interest Subaccount from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture. Notwithstanding the foregoing, any Rebate Amount on deposit in such Second Lien Interest Subaccount shall be transferred to the Rebate Account at the direction of the Authority.

(ii) On each Interest Payment Date for Second Lien Bonds the Trustee shall withdraw from the Second Lien Interest Subaccount an amount sufficient to pay the interest coming due on the Second Lien Bonds on such Interest Payment Date and shall use such amounts to pay, or make provision with the Paying Agent for the payment of, interest on the Second Lien Bonds on such Interest Payment Date; provided, however, that if and to the extent payment of interest on the Second Lien Bonds, or any Series thereof or specific portion thereof, shall be made from moneys drawn under a Credit Facility, the Trustee shall transfer to the Second Lien Credit Subaccount relating to such Series of Second Lien Bonds or specific portion thereof and remit to the Credit Provider from said Subaccount in such Second Lien Credit Subaccount, on the Interest Payment Date, all moneys provided by Credit Facility proceeds or otherwise apply such moneys as provided in the related Supplemental Subordinated Indenture, Credit Agreement, a Related Agreement or Related Document.

Second Lien Principal Subaccount.

(i) There shall be transferred to the Second Lien Principal Subaccount the amount required to be transferred from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture. If on any Principal Payment Date there are not sufficient amounts on

deposit in the Second Lien Principal Subaccount to pay the total amount of principal coming due on the Subordinated Revenue Bonds on such Principal Payment Date, the Trustee shall forthwith transfer to the Second Lien Principal Subaccount from other Accounts, in the order listed in the Subordinated Indenture, an amount equal to the deficiency. All interest income derived from the investment of amounts on deposit in the Second Lien Principal Subaccount shall remain in the Second Lien Principal Subaccount and be credited against the amount next due to be transferred to the Second Lien Principal Subaccount from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture. Notwithstanding the foregoing, any Rebate Amount on deposit in the Second Lien Principal Subaccount shall be transferred to the Rebate Account at the direction of the Authority.

(ii) Amounts on deposit from time to time in the Second Lien Principal Subaccount shall be used on any Interest Payment Date to provide sums equal to any deficiency in the Second Lien Interest Subaccount as provided in the Subordinated Indenture.

(iii) On or before each Principal Payment Date for Second Lien Bonds, the Trustee shall withdraw from the Second Lien Principal Subaccount an amount sufficient to pay the scheduled principal coming due on the Second Lien Bonds on such Principal Payment Date, and shall use such amounts to pay, or make provision with the Paying Agents for the payment of, principal of the Subordinated Revenue Bonds on such Principal Payment Date, whether by reason of stated maturity or by reason of Mandatory Sinking Account Requirements applicable to any Term Subordinated Revenue Bonds which are Second Lien Bonds; provided, however, that if and to the extent payment of principal coming due on the Second Lien Bonds, or any Series thereof or specific portion thereof, shall be made from moneys drawn under a Credit Facility, the Trustee shall transfer to the Subaccount within the Second Lien Credit Subaccount related to such Series of Second Lien Bonds or specific portion thereof and remit to the Credit Provider from said Subaccount within the Second Lien Credit Subaccount, on the Principal Payment Date on which payment is made, all moneys then on deposit in the Second Lien Principal Subaccount replaced by Credit Facility proceeds or otherwise apply such moneys as provided in the related Supplemental Subordinated Indenture, Credit Agreement, Related Agreement or Related Document.

Second Lien Redemption Subaccount.

(i) Any amounts to be used to redeem Second Lien Bonds by the Authority shall be deposited in the Second Lien Redemption Subaccount related to such Series of Subordinated Revenue Bonds to be redeemed and applied as provided by the Supplemental Subordinated Indenture or, if no provision is made by the applicable Supplemental Subordinated Indenture, such amounts at the direction of the Authority shall be applied to purchase Second Lien Bonds to be surrendered to the Trustee as a credit against Debt Service Requirements when due or to pay the principal of and premium, if any, of the Second Lien Bonds then subject to and called for redemption.

(ii) If the Series of Second Lien Bonds to be redeemed (or any specific Second Lien Bonds within such Series) is secured by a Credit Facility, and the related Credit Facility or Credit Agreement provides that payment of principal of such Series of Second Lien Bonds (or specific Second Lien Bonds within such Series) will be made from such Credit Facility, the Trustee shall transfer to the Subaccount within the Second Lien Credit Subaccount related to such Series of Second Lien Bonds and remit to the Credit Provider from such Subaccount within the Second Lien Credit Subaccount, on the redemption date, all moneys then on deposit in the Second Lien Redemption Subaccount provided by Credit Facility proceeds.

(iii) Any funds transferred to the Second Lien Redemption Subaccount from a Construction Account as excess proceeds shall be applied only to redeem Second Lien Bonds of the Series from which such Construction Account proceeds were derived, if any such Second Lien Bonds are Outstanding. Other funds transferred to the Second Lien Redemption Subaccount shall be applied to redeem Second Lien Bonds then subject to redemption as provided in the applicable Supplemental Subordinated Indenture or, if the Supplemental Subordinated Indenture does not specifically so provide, as the Authority shall direct in writing.

(iv) All income derived from the investment of amounts on deposit in the Second Lien Redemption Subaccount shall be transferred to the Second Lien Interest Subaccount and applied as a credit against the amounts next due to be transferred to the Second Lien Interest Subaccount from the Cruzan Pledged Revenue Account provided in the Subordinated Indenture. Notwithstanding the foregoing, any Rebate Amount on deposit in the Second Lien Redemption Subaccount shall be transferred to the Rebate Account at the direction of the Authority.

(v) Notwithstanding any other provisions of the Subordinated Indenture, moneys on deposit in the Second Lien Redemption Subaccount may be withdrawn therefrom only to the extent that such moneys have not theretofore been committed to the purchase or redemption of Second Lien Bonds for which proper notice has been given.

Second Lien Expense Subaccount.

(i) The Trustee shall create a separate Second Lien Expense Subaccount for each Series of Second Lien Bonds with such subaccounts therein as the Authority shall from time to time provide, unless the Authority provides in a Supplemental Subordinated Indenture or otherwise directs in writing that one such Account shall relate to Second Lien Bonds of more than one Series.

(ii) The Trustee shall transfer from the Cruzan Pledged Revenue Account to the Second Lien Expense Subaccount the amounts directed by the Subordinated Indenture for the payment of amounts therein specified.

(iii) All income derived from the investment of amounts on deposit in the Second Lien Expense Subaccount shall be retained therein and applied as a credit against the amounts next due to be transferred to the Second Lien Expense Subaccount from the Cruzan Pledged Revenue Account as provided in the Subordinated Indenture.

Purchase or Repayment of Subordinated Revenue Bonds at Request of Authority; Second Lien Purchase Subaccount.

(i) The Trustee shall deposit funds in the Second Lien Purchase Subaccount as follows and as provided in any Supplemental Subordinated Indenture:

(1) the proceeds of remarketing of Second Lien Bonds, except to the extent such proceeds are required by the terms of a Supplemental Subordinated Indenture and related Remarketing Agreement to be paid to Bondowners selling such Second Lien Bonds or to a Credit Provider which has provided the funds required to purchase Second Lien Bonds;

(2) funds provided by a Credit Provider to purchase Second Lien Bonds;

(3) other funds provided to the Trustee by the Authority or any other Person accompanied by a written direction to deposit such funds in the Second Lien Purchase Subaccount; and

(4) any other funds required to be so deposited by a Supplemental Subordinated Indenture.

(ii) Cruzan Funds from time to time held in the Second Lien Purchase Subaccount shall be disbursed therefrom as provided in the related Supplemental Subordinated Indenture, or as directed in writing by the Authority, which direction may not be inconsistent with the provisions of the Subordinated Indenture or the applicable related Supplemental Subordinated Indenture.

(iii) Unless otherwise provided in the applicable Supplemental Subordinated Indenture, all income derived from the investment of amounts on deposit in the Second Lien Purchase Subaccount shall be transferred upon receipt to the Cruzan Pledged Revenue Account.

Second Lien Credit Subaccount.

(i) To the extent so provided in the applicable Supplemental Subordinated Indenture, the Trustee shall create a separate Second Lien Credit Subaccount within the Second Lien Debt Service Account for each Series of Second Lien Bonds (or specific Second Lien Bonds within a Series) secured by a Credit Facility. In addition, for any Credit Facility which constitutes a bond insurance policy or similar instrument pursuant to which the Credit Provider is entitled to subrogation rights as to amounts paid to Bond Owners secured thereby, the Supplemental Subordinated Indenture relating thereto may provide for payment directly to such Credit Provider of available amounts in the Second Lien Principal and Interest Subaccounts by reason of such subrogation rather than establishing a Second Lien Credit Subaccount and requiring a transfer of such amounts thereto prior to payment of such amounts to such Credit Provider.

(ii) All amounts drawn under a Credit Facility for which a Second Lien Credit Subaccount is established under this heading to pay the principal or Redemption Price of, Purchase Price of, premium, if any, and interest on, any Series of Second Lien Bonds or a specific portion thereof, shall be deposited in the related Second Lien Principal Subaccount, Second Lien Interest Subaccount, Second Lien Purchase Subaccount or other Account created under the related Supplemental Subordinated Indenture and the Trustee shall apply such amounts to the purpose for which they were drawn, as further provided in the related Supplemental Subordinated Indenture, Credit Agreement, Related Agreements or Related Documents. Promptly upon such deposit and application, the Trustee shall transfer from the appropriate Account or Subaccount to the applicable Second Lien Credit Subaccount all Cruzan Matching Fund Revenues or other amounts provided by Credit Facility proceeds or such Cruzan Matching Fund Revenues, or other amounts which become available by reason of the application of such Credit Facility proceeds as provided in the Supplemental Subordinated Indenture, all of which amounts shall not exceed the amounts drawn on the Credit Facility and deposited pursuant to the first sentence of this paragraph plus interest thereon at a rate which is the lesser of (1) the interest rate specified in the Credit Agreement or (2) the interest rate or rates on the Second Lien Bonds paid with the proceeds of the Credit Facility. The Trustee shall remit such amounts from the applicable Second Lien Credit Subaccount to the applicable Credit Provider as shall be provided in the related Supplemental Subordinated Indenture or Credit Agreement.

(iii) The proceeds of any Credit Facility issued in connection with and for the benefit of any Series of Second Lien Bonds (or specific Second Lien Bonds within a Series) shall be deposited as provided in this subsection and the Supplemental Subordinated Indenture for the related series of Second Lien Bonds (or specific Second Lien Bonds within a Series) and shall be transferred and/or applied solely for the benefit of the Bondowners of the Series of Subordinated Revenue Bonds (or specific Subordinated Revenue Bonds within a Series) to which the Credit Facility relates; and accordingly, the Owners of the Subordinated Revenue Bonds of any other Series shall not be entitled to the benefit of, or receive, the proceeds of a Credit Facility which does not secure the Subordinated Revenue Bonds held by Owners.

(iv) The provisions of this subsection are subject in all respects to the terms and conditions of each Credit Facility, Credit Agreement, Related Agreements, Related Documents and the related Supplemental Subordinated Indenture.

Second Lien Capitalized Interest Subaccount.

Except as provided in a Supplemental Subordinated Indenture with respect to a Series of Second Lien Bonds, to the extent available therein, on each date Cruzan Matching Fund Revenues are transferred pursuant to the Subordinated Indenture, the Trustee shall transfer from the Second Lien Capitalized Interest Subaccount to any related Second Lien Interest Subaccount, the amount of interest required to be transferred pursuant to the Subordinated Indenture. Each transfer shall be made on or immediately prior to the day on which the Trustee transfers or otherwise remits Cruzan Matching Fund Revenues as provided in the Subordinated Indenture and shall be credited against the transfer than due from the Cruzan Pledged Revenue Account. Investment income on amounts held in the Second Lien Capitalized Interest Subaccount (net of investment losses and amounts required to be transferred to the Rebate Subaccount) shall be credited to the Second Lien Capitalized Interest Subaccount.

Pro Rata Payments.

In the event the amount then on deposit in the Second Lien Interest Subaccount or the Second Lien Principal Subaccount on an Interest Payment Date or Principal Payment Date is not sufficient to pay to the Owners of the Second Lien Bonds the full amount of interest on and principal of all Outstanding Second Lien Bonds then due and such deficiency cannot be cured as provided in the Subordinated Indenture, the Trustee shall nonetheless pay out all moneys on deposit in the Second Lien Interest Subaccount and Second Lien Principal Subaccount to the Persons entitled thereto, pro rata according to the amount owed to each (subject in all events to any provisions to the contrary as to Cruzan Credit Facilities or other amounts which a Supplemental Subordinated Indenture may pledge or otherwise provide for under procedures by which specific Cruzan Matching Fund Revenues thereunder are for the specific benefit of a Series of Second Lien Bonds or specific Second Lien Bonds within a Series).

Deficiencies in the Second Lien Interest Subaccount or Second Lien Principal Subaccount.

In the event, on an Interest Payment Date or Principal Payment Date, the amount then on deposit in the Second Lien Interest Subaccount or the Second Lien Principal Subaccount is not sufficient to pay to the Owners of the Second Lien Bonds the full amount of interest on or principal of all Outstanding Second Lien Bonds then due, the Trustee shall promptly notify the Authority of such fact and thereafter, to the extent that the Authority fails to immediately cure such insufficiency with a draw from the Surplus Subaccount, the Trustee shall draw in the

following order, and transfer to the Second Lien Interest Subaccount or Second Lien Principal Subaccount, as appropriate, an amount equal to the deficiency:

- (i) the Cruzan Pledged Revenue Account;
- (ii) any Second Lien Redemption Subaccount or any Second Lien Redemption Subaccount (other than amounts held therein to pay and redeem Subordinated Revenue Bonds for which notice of redemption has theretofore been given and amounts held therein to defease Outstanding Subordinated Revenue Bonds pursuant to the Subordinated Indenture);
- (iii) the Construction Account (to the extent held by the Trustee and such application is permitted by the Supplemental Subordinated Indenture governing same and the Authority certifies that such amounts are not required for payment of costs of the Cruzan Project);
- (iv) the Series Subaccount of the Second Lien Debt Service Reserve Account if the payment is for principal of or interest on the related Series of Second Lien Bonds;
- (v) the Second Lien Principal Subaccount (for deficiencies in the Second Lien Interest Subaccount); and
- (vi) the Second Lien Interest Subaccount (for deficiencies in the Second Lien Principal Subaccount).

Deficiencies in the Second Lien Interest Subaccount shall be fully cured prior to curing any deficiency in the Second Lien Principal Subaccount.

Second Lien Debt Service Reserve Account.

An initial deposit to the credit of the Series Subaccount of the Second Lien Debt Service Reserve Account is to be made by the Trustee from the proceeds of each Series of Second Lien Bonds in an amount equal to the Debt Service Reserve Requirement (if any) for that Series established in the Supplemental Subordinated Indenture. Thereafter each Series Subaccount of the Second Lien Debt Service Reserve Account shall be maintained at the Debt Service Reserve Requirement for the related Series by transfers to the Second Lien Debt Service Reserve Account from the Cruzan Pledged Revenue Account as provided in the Subordinated Indenture; provided, however, (i) in the event the amount on deposit in a Series Subaccount of the Second Lien Debt Service Reserve Account is less than the Debt Service Reserve Requirement for the related Series because of a transfer required by the Subordinated Indenture, then the Authority shall be required to restore the deficiency caused thereby (1) to the extent there are any amounts on deposit in the Surplus Account, by the transfer to the Trustee for deposit into the Series Subaccount of the Second Lien Debt Service Reserve Account of the full amount on deposit in the Surplus Account or such lesser amount as will cure such deficiency in the Second Lien Debt Service Reserve Account and, to the extent the full deficiency cannot be so cured, such amounts shall be applied ratably to each Series Subaccount within the Second Lien Debt Service Reserve Account which has a deficiency, and (2) to the extent any deficiency remains following application as provided in the Subordinated Indenture, by transfer of Cruzan Matching Fund Revenues pursuant to the Subordinated Indenture until such deficiency is remedied, and (ii) in the event the amount on deposit in the Series Subaccount of the Second Lien Debt Service Reserve Account is less than the Debt Service Reserve Account Requirement for the related Series because of any valuation of the investment securities as determined by application of the Subordinated Indenture, the

Authority shall be required to restore the deficiency caused thereby by transfers of Cruzan Matching Fund Revenues pursuant to the Subordinated Indenture annually not later than the first day of the Bond Year following a determination that such deficiency exists.

If on any Interest Payment Date there are not sufficient amounts on deposit in the Second Lien Interest Subaccount to pay the total amount of interest coming due on any Second Lien Bonds entitled to the benefit and security of a Subaccount of the Second Lien Debt Service Reserve Account on such Interest Payment Date or if on any Principal Payment Date there are not sufficient amounts on deposit in the Second Lien Principal Subaccount to pay the total amount of principal coming due on any Second Lien Bonds entitled to the benefit and security of the Second Lien Debt Service Reserve Account on such Principal Payment Date, and after making the transfers required to be made from other Accounts as provided in the Subordinated Indenture prior to a transfer from the Second Lien Debt Service Reserve Account, the Trustee shall transfer sums on deposit in the Second Lien Debt Service Reserve Account, as provided in the Subordinated Indenture to the Second Lien Interest Subaccount or Second Lien Principal Subaccount, as the case may be, in an amount sufficient to make up any such deficiency for any Second Lien Bonds entitled to the benefit and security of the related Subaccount of the Second Lien Debt Service Reserve Account.

All income derived from the investment of amounts on deposit in the Second Lien Debt Service Reserve Account and any Subaccount therein shall be retained therein at all times when the amount on deposit in the Second Lien Debt Service Reserve Account is less than the Second Lien Debt Service Reserve Requirement for the Second Lien Bonds. Whenever the moneys and Permitted Investments on deposit in the Second Lien Debt Service Reserve Account shall be determined to exceed the Second Lien Debt Service Reserve Requirement for all Outstanding Second Lien Bonds, such excess shall, subject to the Subordinated Indenture, and except as otherwise required by the Subordinated Indenture, be deposited first, to the extent that the amount transferred in the Second Lien Debt Service Accounts and Subaccounts from the Cruzan Pledged Revenue Account pursuant to the Subordinated Indenture was less than the amount required to be transferred pursuant to the Subordinated Indenture in the Second Lien Debt Service Accounts and Subaccounts, then to the Construction Account until completion of construction of the Cruzan Project, and then at the written direction of the Authority any remaining amount to the Rebate Fund or the Surplus Fund.

Cost of Issuance Account.

The Trustee may establish within the Cost of Issuance Account separate, segregated accounts for the benefit of one or more Series of Subordinated Revenue Bonds as provided in the Supplemental Subordinated Indenture creating such Series of Subordinated Revenue Bonds. There shall be deposited in the Cost of Issuance Account, from the proceeds of each Series of Subordinated Revenue Bonds and such other sources as may be identified, the amount specified pursuant to the Supplemental Subordinated Indenture creating such account.

Amounts from time to time on deposit in the Cost of Issuance Account shall be disbursed to or upon the order of the Authority to pay the Costs of Issuance of a Series of Subordinated Revenue Bonds.

Rebate Account.

Moneys deposited and held in the Rebate Account shall not be subject to the lien or pledge of the Subordinated Indenture.

If, at the time of any calculation, the amount on deposit in the Rebate Account attributable to a specific Series of Tax-Exempt Subordinated Revenue Bonds exceeds the Rebate Amount for such Series of Tax-Exempt Subordinated Revenue Bonds, the Trustee shall transfer the excess to the Cruzan Pledged Revenue Account.

If the Trustee does not have on deposit in the Rebate Account sufficient amounts to make the payments required by the Subordinated Indenture, the Trustee shall direct the Authority to remit to the Trustee, in immediately available funds, within five Business Days, the amount of the deficiency.

Investment earnings on amounts held in the Rebate Account shall be credited to the Rebate Account upon receipt.

Government Account.

There shall be paid into the Government Account the amounts certified by the Calculation Agent as the amount required to be so paid in accordance with the terms of the Cruzan Agreement, the Subordinated Indenture and each Supplemental Subordinated Indenture, subject to any adjustments, as appropriate in accordance with the Cruzan Agreement.

Cruzan Surplus Receipts Account.

There shall be paid into the Cruzan Surplus Receipts Account the amount certified by the Calculation Agent as the amount required to be so paid by the provisions of the Cruzan Agreement, the Subordinated Indenture and any applicable Supplemental Subordinated Indenture.

Surplus Account.

Moneys held in the Surplus Account may be used: (a) for transfers to the Debt Service Reserve Accounts and Debt Service Reserve Accounts to maintain the required balances therein if no other funds are available for such purposes, and (b) for any other purpose, in each case as directed by the Authority, authorized by law.

Semi-Annual Report by Trustee.

Within fifteen (15) days after the end of each April and October, the Trustee shall prepare a written report for each Account held by it under the provisions of the Subordinated Indenture. Such report shall set out the receipts and disbursements, both principal and income, and shall list the investments held at the end of the month. A copy of each such report shall be furnished to the Authority.

In addition, the Trustee shall, at any time when requested, furnish to the Authority a report of the amount of moneys, including investments held in the Cost of Issuance Account, Debt Service Reserve Accounts, and any other Account and Subaccount held by the Trustee on that date. For purposes of this report, the investments in each Account and Subaccount shall be treated as having a value equal to the lower of their aggregate cost or their aggregate market value as of the date of the request.

Deposit of Cruzan Funds with Paying Agent.

The Trustee shall transfer and remit sums from the applicable Debt Service Reserve Subaccount in the Debt Service Reserve Account to the Paying Agent in advance of each Payment Date sufficient to pay all principal, interest and redemption premiums then due on Subordinated Revenue Bonds. The Paying Agent shall hold in trust for the Owners of such Subordinated Revenue Bonds all sums so transferred until paid to such Owners or otherwise disposed of as provided in the Subordinated Indenture. If the Paying Agent is other than the Trustee, the Trustee shall designate each such transfer by the Series designation of the Series of Subordinated Revenue Bonds to which it relates, and the moneys so received by the Paying Agent shall be held in trust only for the Owners of the Subordinated Revenue Bonds of the designated Series.

Interest on each Subordinated Bond including accrued interest to the date of deposit and interest, to the extent permitted by law, on overdue installments of interest at the rate borne by such Bond, (i) shall cease on its maturity date, or on any prior redemption date, provided that funds sufficient for the payment thereof with accrued interest and any redemption premium have been deposited with the Paying Agent on or before the maturity date or redemption date, as the case may be, and in the case of redemption, that the requirements of the applicable Supplemental Subordinated Indenture have been complied with, or (ii) shall cease on any date after maturity or a redemption date on which such deposit has been made, and the Owner shall have no further rights with respect to the Subordinated Revenue Bonds or under the Subordinated Indenture except to receive the payment so deposited.

If any Subordinated Bond is not presented for payment when due and funds sufficient to pay such Bond shall have been paid to the Trustee (or other Paying Agent, if any): (i) all liability of the Authority for payment of such Bond shall forthwith cease, (ii) such Bond shall forthwith cease to be entitled to any lien, benefit or security under the Subordinated Indenture and the Owner of such Bond shall forthwith have no rights in respect thereof except to receive payment thereof, and (iii) the Trustee (or other Paying Agent, if any) shall hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond. Subject to the applicable unclaimed property laws of the Virgin Islands, any moneys still held by the Trustee (or other Paying Agent, if any) after two years from the date on which the Subordinated Bond with respect to which such amount was paid to the Trustee (or other Paying Agent, if any), shall, if and to the extent permitted by law, be paid by the Trustee (or other Paying Agent, if any) to the Authority, and the Trustee shall thereupon be discharged from the trust and all ability of the Paying Agent or the Trustee with respect to such trust money; and the Bondowners shall thereafter be entitled to look only to the Authority for payment, and the Authority shall not be liable for any interest thereon.

If there is any Paying Agent who is not the Trustee, the Trustee will cause such Paying Agent to execute and deliver to it an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(i) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Subordinated Revenue Bonds in trust for the benefit of the Owners of such Subordinated Revenue Bonds until such sums shall be paid to such Owners or otherwise disposed of as provided in the Subordinated Indenture; and

(ii) at any time during the continuance of any default in the making of any such payment if principal (and premium, if any) or interest, upon the written request of the Trustee forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The Trustee, acting as Paying Agent, shall also be bound by the terms of the foregoing requirements.

Investments.

So long as the Subordinated Revenue Bonds are Outstanding and no Event of Default (as defined in the Subordinated Indenture) has occurred and is continuing, moneys on deposit to the credit of the Construction Account, the Cruzan Pledged Revenue Account, any Debt Service Account and any Debt Service Reserve Account shall at the written request of an Authorized Officer be invested in accordance with such request confirmed in writing within two Business Days, specifying and directing that such investment of such funds be made, be invested in accordance with such request by the Trustee in Permitted Investments, and moneys held in the Rebate Fund shall, at the written request of an Authorized Officer, confirmed in writing within two Business Days, specifying and directing that such investment of such funds be made, be invested in accordance with such request by the Trustee in the Permitted Investments described in subparagraph (i) of the definition thereof. The Trustee is entitled to rely on said instructions for purposes of this heading.

Valuation and Sale of Investments.

Permitted Investments and any interest earned thereon purchased as an investment of moneys in the Cruzan Pledged Revenue Account, in the Construction Account, in any Debt Service Account or in any Debt Service Reserve Account shall be deemed at all times to be a part of such Account and any profit realized from the liquidation of such investment shall be credited to such Account and any loss resulting from the liquidation of such investment shall be charged to such Account.

In computing the amount in any Account created under the provisions of the Subordinated Indenture or any Supplemental Subordinated Indenture for any purpose provided in the Subordinated Indenture or Supplemental Subordinated Indenture, obligations purchased as an investment of moneys therein shall be valued at the lower of their cost or market value thereof, exclusive of accrued interest. The valuation of any Debt Service Reserve Account shall be made as of the close of business on September 1 in each year, commencing September 1, 2010, and, at such other times as the Authority shall direct in writing and, in addition, shall be valued at the time of any withdrawal from any Debt Service Reserve Account pursuant to the Subordinated Indenture.

The Trustee shall sell or provide for the sale at the best price then reasonably obtainable by the Trustee at that point in time, or present for redemption, any Permitted Investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account. Except in the case of a determination of its own gross negligence or willful misconduct, the Trustee shall not be liable or responsible for making any such sale or redemption in the manner provided above and shall in no event be liable for any loss resulting from any such sale or redemption. The Trustee shall not be liable or responsible for making any such investment in the manner provided in the Subordinated Indenture or for any loss resulting from any such investment.

Investments in the various Accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions in the Subordinated Indenture for transfer to or holding in particular Accounts or Subaccounts amounts received or held by the Trustee, provided that the Trustee shall at all times account for such investments strictly in accordance with the Accounts or Subaccounts to which they are credited and otherwise as provided in the Subordinated Indenture.

Events of Default.

In case one or more of the following events, in the Subordinated Indenture referred to as the “Events of Default,” shall happen and be continuing, that is to say, if:

(i) payment of interest on any Series of Subordinated Revenue Bonds shall not be made when the same shall become due and payable; or

(ii) payment of the principal or Redemption Price of any Series of Subordinated Revenue Bonds or of a Sinking Fund Installment shall not be made when the same shall become due and payable; or

(iii) the Authority shall fail to observe or perform in any material way any covenant, condition, agreement or provision contained in any Subordinated Revenue Bonds or in the Subordinated Indenture or any Supplemental Subordinated Indenture on the part of the Authority to be performed other than those set forth in the Subordinated Indenture, and such failure shall continue for thirty (30) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority by the Trustee, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of any Outstanding Subordinated Revenue Bonds; provided, however, that if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within the applicable period and diligently pursued until the default is corrected and an Authorized Officer of the Authority has delivered to the Trustee a certificate to that effect; or

(iv) an “Event of Default” as such term is defined in any Loan Agreement shall have occurred and be continuing; or

(v) the occurrence of an Act of Bankruptcy by the Authority;

provided, however, that in no event shall an Event of Default with respect to any Second Lien Bonds cause an Event of Default with respect to any Senior Lien Bonds.

Proceedings by Trustee.

Upon the happening and continuance of any Event of Default, the Trustee in its discretion may, and at the written request of the Owners of not less than 25% in aggregate principal amount of any Series of Subordinated Revenue Bonds Outstanding shall, do the following:

(i) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Authority to enforce all rights of the Owners of Subordinated Revenue Bonds, and to require the Authority to carry out any other covenant or

agreement with Owners of Subordinated Revenue Bonds and to perform its duties under the Subordinated Indenture;

(ii) bring suit upon the Subordinated Revenue Bonds;

(iii) by action or suit in equity to require the Authority to account as if it were the trustee of an express trust, or to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners; and

(iv) as a matter of right, have a receiver or receivers appointed for the Cruzan Trust Estate and of the Cruzan Matching Fund Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

Upon the occurrence of an Event of Default under any Related Document, the Trustee also may enforce any and all rights or obligations of the Trustee thereunder.

Effect of Discontinuance or Abandonment.

In case any proceeding taken by the Trustee on account of any default shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority, the Trustee and the Owners shall be restored to their former positions and rights under the Subordinated Indenture, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Rights of Owners.

Anything in the Subordinated Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners in the Subordinated Indenture, upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent (25%) in aggregate principal amount of any Series of Subordinated Revenue Bonds then Outstanding shall have the right, upon providing the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Subordinated Indenture.

The Trustee may refuse to follow any direction that conflicts with law, the Subordinated Indenture or any Supplemental Subordinated Indenture or would subject the Trustee to liability without adequate indemnification therefor.

Restriction on Action By Owners.

In addition to the other restrictions on the rights of Owners to request action upon the occurrence of an Event of Default and to enforce remedies set forth in the Subordinated Indenture, no Owner of any of the Subordinated Revenue Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of any trust under the Subordinated Indenture, or any other remedy under the Subordinated Indenture or on said Subordinated Revenue Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided and unless the Owners of not less than twenty-five percent (25%) in aggregate principal amount of any Series of Subordinated Revenue Bonds then Outstanding shall have made written request of the Trustee to institute any

such suit, action, proceeding or other remedy, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers in the Subordinated Indenture granted, or to institute such action, suit or proceeding in its or their name; nor unless there also shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Subordinated Indenture or for any other remedy under the Subordinated Indenture or Supplemental Subordinated Indenture; it being understood and intended that no one or more Owners of any Series of Subordinated Revenue Bonds secured by the Subordinated Indenture shall have any right in any manner whatever by his, its or their action to affect, disturb or prejudice the security of the Subordinated Indenture, or to enforce any right under the Subordinated Indenture or under the Subordinated Revenue Bonds, except in the manner in the Subordinated Indenture provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner in the Subordinated Indenture or Supplemental Subordinated Indenture provided, and for the equal benefit of all Owners of Outstanding Subordinated Revenue Bonds; subject, however, to the provisions of the heading. Notwithstanding the foregoing provisions or any other provision of the Subordinated Indenture, the obligation of the Authority shall be absolute and unconditional to pay, but solely from the Cruzan Trust Estate, the principal and Redemption Price, of, and interest on, any Series of Subordinated Revenue Bonds to the respective Owners thereof at the respective due dates thereof, and nothing in the Subordinated Indenture shall affect or impair the right of action, which is absolute and unconditional, of such Owners to enforce such payment.

Power of Trustee to Enforce.

All rights of action under the Subordinated Indenture, any Supplemental Subordinated Indenture or under any Series of Subordinated Revenue Bonds secured by the Subordinated Indenture or Supplemental Subordinated Indenture which are enforceable by the Trustee may be enforced by it without the possession of any of the Subordinated Revenue Bonds, or the production thereof at the trial or other proceedings relative thereto, and any such suit, action or proceedings instituted by the Trustee shall be brought in its own name, as trustee, for the equal and ratable benefit of the Owners of the Subordinated Revenue Bonds subject to the provisions of the Subordinated Indenture.

Remedies Not Exclusive.

No remedy in the Subordinated Indenture or any Supplemental Subordinated Indenture conferred upon or reserved to the Trustee or to the Owners of the Subordinated Revenue Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given under the Subordinated Indenture or any Supplemental Subordinated Indenture existing at law or in equity or by statute.

Waiver of Events of Default; Effect of Waiver.

The Trustee may waive any Event of Default under the Subordinated Indenture and its consequences, and shall in any event do so, upon the written request of the Owners of at least a majority in aggregate principal amount of all Outstanding Subordinated Revenue Bonds, provided, however, that there shall not be waived (i) any Event of Default pertaining to the payment of the principal of any Subordinated Bond at its maturity date or redemption date prior

to maturity, or (ii) any Event of Default pertaining to the payment when due of the interest on any Subordinated Bond, unless prior to such waiver or rescission, all arrears of principal (due otherwise than by declaration) and interest, with interest (to the extent permitted by law) at the rate per annum borne by the Subordinated Revenue Bonds in respect of which such Event of Default shall have occurred on overdue installments of interest, and all arrears of payments of principal when due, as the case may be, and all expenses of the Trustee in connection with such Event of Default, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall be discontinued or abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondowners shall be restored to their former positions and rights under the Subordinated Indenture.

If any Event of Default shall have been waived as provided in the Subordinated Indenture, the Trustee shall promptly give written notice of such waiver to the Authority and shall give notice thereof by first class mail, postage prepaid to all Owners of Outstanding Subordinated Revenue Bonds if such Owners had previously been given notices of such Event of Default; but no such waiver shall extend to or affect any subsequent Event of Default, or impair any right or remedy consequent thereon.

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

Priority of Payment and Application of Moneys.

All Senior Lien Bonds issued under the Subordinated Indenture and secured by the Subordinated Indenture shall be equally and ratably secured by and payable from the Senior Lien Debt Service Account without priority of one Senior Lien Bond over any other, except as otherwise expressly provided (a) in the Subordinated Indenture with respect to Senior Lien Bonds of a specific Series (or specific Senior Lien Bonds within a Series) secured by a Credit Facility or (b) in a Supplemental Subordinated Indenture or (c) with respect to moneys or assets whether or not held in the Senior Lien Debt Service Account pledged to secure one or more Series of Senior Lien Bonds (or specific Senior Lien Bonds within a Series) and not other Subordinated Revenue Bonds. All Second Lien Bonds issued under the Subordinated Indenture and secured by the Subordinated Indenture shall be equally and ratably secured by and payable from the Second Lien Debt Service Account without priority of one Second Lien Bond over any other except as otherwise expressly provided (i) in the Subordinated Indenture with respect to Second Lien Bonds of a specific Series (or specific Second Lien Bonds within a Series) secured by a Credit Facility or (ii) in a Supplemental Subordinated Indenture or (iii) with respect to moneys or assets whether or not held in the Second Lien Debt Service Account pledged to secure one or more Series of Second Lien Bonds (or specific Second Lien Bonds within a Series) and not other Subordinated Revenue Bonds. Upon the occurrence of an Event of Default, all moneys collected pursuant to action taken pursuant to remedies under the Subordinated Indenture of the Trustee or the Bondowners, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee and after any other prior application of such moneys has been made as is required by law, shall be deposited in such Account, Accounts, Subaccount or Subaccounts described in the Subordinated Indenture as the Trustee deems appropriate; and all moneys in the Debt Service

Reserve Accounts (and at the discretion of the Trustee except when otherwise required under the Subordinated Indenture, any other Account described in the Subordinated Indenture), excluding however (1) any moneys held in trust for the payment of any Subordinated Revenue Bonds or interest thereon which have matured or otherwise become payable prior to such Event of Default, (2) any moneys (such as Credit Facility proceeds) pledged exclusively to secure one or more specific Series of Subordinated Revenue Bonds (or specific Subordinated Revenue Bonds within a Series) shall be applied as provided as follows and (3) moneys in the Senior Lien Debt Service Account and Senior Lien Debt Service Reserve Account shall be applied solely to payment of Senior Lien Bonds and moneys in the Second Lien Debt Service account and Second Lien Debt Service Reserve Account shall be applied solely to payment of Second Lien Bonds.

Unless the principal of Subordinated Revenue Bonds shall have become due and payable, all such moneys in the respective Accounts and Subaccounts securing such obligations shall be applied consistent with the respective priorities of liens and the respective purposes for such accounts each as follows:

FIRST: To the payment of the Persons entitled thereto of all installments of interest then due on the Senior Lien Bonds in the order of the maturity of the installments of such interest and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or privilege;

SECOND: To the payment of the Persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Senior Lien Bonds which shall have become due (other than Senior Lien Bonds which have matured or have otherwise become payable prior to such Event of Default and moneys for payment of which are held in trust pursuant to the provisions of the Subordinated Indenture) in the order of their due dates and if the amount available shall not be sufficient to pay in full the unpaid principal and redemption premium, if any, on Senior Lien Bonds due on any particular due date, then to the payment ratably, according to the amount of principal and premium, if any, due on such date, to the Persons entitled thereto, without any discrimination or privilege; and

THIRD: To the payment of interest on and the principal of the Senior Lien Bonds as thereafter may from time to time become due, all in accordance with the provisions of the Subordinated Indenture; and

FOURTH: To the payment of the Persons entitled thereto of all installments of interest then due on the Second Lien Bonds in the order of the maturity of the installments of such interest and if the amount available shall not be sufficient to pay in full any particular installment then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or privilege;

FIFTH: To the payment of the Persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Second Lien Bonds which shall have become due (other than Second Lien Bonds which have matured or have otherwise become payable prior to such Event of Default and moneys for payment of which are held in trust pursuant to the provisions of the Subordinated Indenture) in the order of their due dates and if the amount available shall not be sufficient to pay in full the unpaid principal and redemption premium, if any, on Second Lien Bonds due on any particular due date then to the payment ratably according to the amount of principal and premium, if any, due on such date to the Persons entitled thereto without any discrimination or privilege; and

SIXTH: To the payment of interest and premium, if any, on and the principal of the Second Lien Bonds and to the redemption of such Second Lien Bonds, as thereafter may from time to time become due all in accordance with the provisions of the Subordinated Indenture; and

SEVENTH: To reimburse the Trustee for any and all amounts owing the Trustee under the Subordinated Indenture.

Duties, Immunities and Liabilities of Trustee.

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Subordinated Indenture and no implied duties or obligations shall be read into the Subordinated Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Subordinated Indenture, and use the same degree of care and skill in their exercise as a prudent individual would exercise or use under the circumstances in the conduct of his own affairs.

No provision in the Subordinated Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties under the Subordinated Indenture if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee shall not be liable for any error of judgment made in good faith by an officer of its corporate trust department unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

In accepting the trust created by the Subordinated Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Subordinated Revenue Bonds.

The Trustee makes no representation or warranty, express or implied, as to the compliance with legal requirements of the use contemplated by the Authority of the funds under the Subordinated Indenture or any Supplemental Subordinated Indenture. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Subordinated Indenture or any Supplemental Subordinated Indenture.

The Trustee shall not be responsible for the sufficiency, timeliness or enforceability of the remedies. The Trustee shall have no responsibility in respect of the validity or sufficiency of the Subordinated Indenture or any Supplemental Subordinated Indenture or the security provided under the Subordinated Indenture or the due execution by the Authority, or the due execution of any other document by any party (other than the Trustee) thereto, or in respect of the validity of any Subordinated Revenue Bonds authenticated and delivered by the Trustee in accordance with the Subordinated Indenture or to see to the recording or filing (but not refiling) of the Subordinated Indenture, any Supplemental Subordinated Indenture or any financing statement or any other document or instrument whatsoever.

The Trustee shall not be deemed to have knowledge of any Event of Default under the Subordinated Indenture unless and until a Responsible Officer of its corporate trust department shall have actual knowledge thereof.

The Trustee shall not be liable or responsible because of the failure of the Authority to perform any act required of it by the Subordinated Indenture or any Supplemental Subordinated Indenture or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depository other than itself in which such moneys shall have been deposited under the Subordinated Indenture or any Supplemental Subordinated Indenture. The Trustee shall not be responsible for the application of any of the proceeds of the Subordinated Revenue Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance with the Subordinated Indenture or for any loss resulting from any such investment. The Trustee shall not be liable in connection with the performance of its duties under the Subordinated Indenture except for its own willful misconduct, negligence or bad faith. The immunities and exemptions from liability of the Trustee shall extend to its directors, officers, employees and agents.

The Trustee may employ attorneys, agents or receivers in the performance of any of its duties under the Subordinated Indenture and shall not be answerable for the misconduct of such attorney, agent or receiver selected by it with reasonable care.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in aggregate principal amount of the Outstanding Subordinated Revenue Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or any trust or power conferred upon the Trustee under the Subordinated Indenture or any Supplemental Subordinated Indenture.

In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations under the Subordinated Indenture arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

The rights, privileges, protections, immunities and benefits given to the Trustee, including, without limitation, its right to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities under the Subordinated Indenture, and each agent, custodian and other Person employed to act under the Subordinated Indenture.

When the Trustee incurs expenses or renders services in connection with an Event of Default specified in the Subordinated Indenture, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or state bankruptcy, insolvency or other similar law.

Removal, Resignation of Trustee, Successor Trustee.

The Authority in its sole discretion may remove the Trustee without cause at any time if no Event of Default has occurred and is continuing and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Subordinated Revenue Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease

to be eligible in accordance with subsection (d) of this heading, or shall become incapable of acting, or shall commence a case under any bankruptcy, insolvency or similar law, or a receiver of the Trustee or of its property shall be appointed, or any public officer shall take control or charge of the Trustee or its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

The Trustee may resign by giving written notice of such resignation to the Authority and by giving notice of such resignation by mail, first class postage prepaid, to the Owners at the addresses listed in the Subordinated Bond Register. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and shall have accepted appointment within 45 days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, or any Owner (on behalf of himself and all other Owners) may at the expense of the Authority petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Any Trustee appointed under the provisions of this heading shall be a trust company or bank having the powers of a trust company, having a corporate trust office in the United States, having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection, the Trustee shall resign immediately in the manner and with the effect specified in this heading.

Merger or Consolidation.

Any company into which the Trustee or any Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee or any Paying Agent may sell or transfer all or substantially all of its corporate trust business provided such company shall be eligible under the Subordinated Indenture in the case of the Trustee or a Paying Agent, may succeed to the rights and obligations of such Trustee or Paying Agent, as the case may be, without the execution or filing of any paper or any further act, anything in the Subordinated Indenture to the contrary notwithstanding; provided that upon the sale or transfer of corporate trust business as a result of such merger or consolidation, so long as no Event of Default has occurred and is continuing, the Authority may by an instrument in writing appoint a successor Trustee or Paying Agent other than the company resulting from such merger, conversion or consolidation by the Trustee or the Paying Agent.

Liability of Cruzan Fiduciaries.

The recitals of facts in the Subordinated Indenture, in any Supplemental Subordinated Indenture and in the Subordinated Revenue Bonds contained shall be taken as statements of the Authority, and neither the Trustee nor any Paying Agent assumes any responsibility for the

correctness of the same, or makes any representations as to the validity or sufficiency of the Subordinated Indenture, any Supplemental Subordinated Indenture or of the Subordinated Revenue Bonds, or shall incur any responsibility in respect thereof, other than in connection with the duties or obligations therein or in the Subordinated Revenue Bonds assigned to or imposed upon it.

Right to Indemnification.

The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the Subordinated Indenture, or to enter any appearance in or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts created by the Subordinated Indenture or in the enforcement of any rights and powers under the Subordinated Indenture, until it shall be indemnified to its reasonable satisfaction against any and all costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct, negligence or bad faith.

Effective Without Consent of Bondowners.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Subordinated Indenture of the Authority may be entered into, which, without the requirement of consent of Bondowners, shall be fully effective in accordance with its terms:

To provide for the issuance of a Series of Subordinated Revenue Bonds and to prescribe the terms and conditions pursuant to which the same may be issued, paid or redeemed; provided, however, that such Supplemental Subordinated Indenture shall not conflict with the Subordinated Indenture as theretofore in effect;

To add to the covenants and agreements of the Authority in the Subordinated Indenture, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Indenture as theretofore in effect;

To add to the limitations and restrictions in the Subordinated Indenture, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Subordinated Indenture as theretofore in effect;

To confirm, as further assurances, any pledge under, and the subjection to any lien or pledge created or to be created by, the Subordinated Indenture, of any moneys, securities or fund, or to establish any additional funds, accounts or subaccounts to be held under the Subordinated Indenture;

To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Subordinated Indenture;

To insert such provisions clarifying matters or questions arising under the Subordinated Indenture as are necessary or desirable and are not contrary to or inconsistent with the Subordinated Indenture as theretofore in effect;

To modify the Subordinated Indenture or the Subordinated Revenue Bonds to permit qualification under the Trust Indenture Act of 1939 or any similar Federal statute at the time in effect, or to permit the qualification of the Subordinated Revenue Bonds for sale under the securities laws of any state of the United States;

To make such changes as may be necessary to obtain an investment grade rating or to maintain or upgrade any rating for all or any Series of Subordinated Revenue Bonds by a Rating Agency;

To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee;

To subject to the lien and pledge of the Subordinated Indenture additional revenue, properties or collateral;

To evidence the appointment of a separate trustee or a co-trustee or the successor of a Trustee and/or Paying Agent under the Subordinated Indenture;

To modify, eliminate and/or add to the provisions of the Subordinated Indenture to such extent as shall be necessary to prevent any interest on Tax-Exempt Subordinated Revenue Bonds from becoming taxable under the Code; or

To make any other change which in the judgment of the Authority and the Trustee is necessary or desirable and will not materially prejudice any non-consenting owner of a Subordinated Bond.

Effective With Consent of Bondowners.

Any modification or amendment of the Subordinated Indenture and of the rights and obligations of the Authority and of the Owners of the Subordinated Revenue Bonds thereunder, in any particular, may be made by a Supplemental Subordinated Indenture, with the written consent (a) of the Owners of at least fifty-one percent (51%) in aggregate principal amount of the Subordinated Revenue Bonds Outstanding at the time such consent is given, and (b) in the case less than all of the several Series of Subordinated Revenue Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent (51%) in aggregate principal amount of the Subordinated Revenue Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Subordinated Revenue Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Subordinated Revenue Bonds shall not be required and such Subordinated Revenue Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Subordinated Revenue Bonds under this heading. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Subordinated Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price, if any, thereof, or in the rate of interest thereon without the consent of the Owners of such Bond, or shall reduce the percentages or otherwise affect the classes of Subordinated Revenue Bonds the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondowners. For the purposes of this heading, a Series shall be deemed to be affected by a modification or amendment of the Subordinated Indenture if the same adversely affects or diminishes the rights of the Owners of Subordinated Revenue Bonds of such Series.

Consent of Bondowners.

The Authority may at any time adopt a Supplemental Subordinated Indenture making a modification or amendment permitted by the provisions of the Subordinated Indenture, to take effect when and as provided in this heading. A copy of such Supplemental Subordinated Indenture, together with a request to Bondowners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Authority to Bondowners (but failure to mail such copy and request shall not affect the validity of the Supplemental Subordinated Indenture when consented to as in this heading provided). Such Supplemental Subordinated Indenture shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of Owners of the percentages of Outstanding Subordinated Revenue Bonds specified in the Subordinated Indenture and (ii) a Counsel's Opinion stating that such Supplemental Subordinated Indenture has been duly and lawfully adopted by the Board in accordance with the provisions of the Subordinated Indenture, is authorized or permitted by the Subordinated Indenture, and is valid and binding upon the Authority and enforceable in accordance with its terms, and (b) a notice shall have been given as provided in the Subordinated Indenture. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Subordinated Revenue Bonds with respect to which such consent is given, which proof shall be such as is permitted by the Subordinated Indenture. A certificate or certificates executed by the Trustee and filed with the Trustee stating that it has examined such proof and that such proof is sufficient in accordance with the Subordinated Indenture shall be conclusive that the consents have been given by the Owners of the Subordinated Revenue Bonds described in such certificate or certificates of the Trustee. Any such consent shall be irrevocable and binding upon the Owner of the Subordinated Revenue Bonds giving such consent and, anything in the Subordinated Indenture to the contrary notwithstanding, upon any subsequent Owner of such Subordinated Revenue Bonds and of any Subordinated Revenue Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof). Any time after the Owners of the required percentages of Subordinated Revenue Bonds shall have filed their consents to the Supplemental Subordinated Indenture, the Trustee shall make and file with the Authority and the Trustee a written statement that the Owners of such required percentages of Subordinated Revenue Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Subordinated Indenture (which may be referred to as a Supplemental Subordinated Indenture executed by the Authority on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of Subordinated Revenue Bonds and will be effective as provided in the Subordinated Indenture, may be given to Bondowners by the Authority by mailing such notice to Bondowners (but failure to mail such notice shall not prevent such Supplemental Subordinated Indenture from becoming effective and binding as in the Subordinated Indenture). Such Supplemental Subordinated Indenture making such amendment or modification shall be deemed conclusively binding upon the Authority, the Cruzan Fiduciaries and the Owners of all Subordinated Revenue Bonds at the expiration of 40 days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Subordinated Indenture in a legal action or equitable proceeding for such purpose commenced within such 40 day period; provided, however, that any Fiduciary and the Authority during such 40 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Subordinated Indenture as they may deem expedient.

Modifications by Unanimous Consent.

The terms and provisions of the Subordinated Indenture and the rights and obligations of the Authority and of the Owners of the Subordinated Revenue Bonds thereunder may be modified or amended in any respect upon the execution and delivery and filing by the Authority of a Supplemental Subordinated Indenture and the consent of the Owners of all the Subordinated then Outstanding, such consent to be given as provided above except that no notice to Bondowners shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondowners.

Defeasance.

If the Authority shall pay or cause to be paid, or there shall otherwise be paid: (i) to the Owners of all Subordinated Revenue Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Subordinated Revenue Bonds and in the Subordinated Indenture and any Supplemental Subordinated Indenture and (ii) to the Trustee all amounts due and owing the Trustee under the Subordinated Indenture, then the pledge made under the Subordinated Indenture and other moneys and securities pledged under the Subordinated Indenture and any Supplemental Subordinated Indenture and all covenants, agreements and other obligations of the Authority to the Bondowners (except that the Subordinated Revenue Bonds may be tendered if and as provided therein and may be transferred, exchanged, registered, discharged from registration or replaced as provided in the Subordinated Indenture, and the covenants of the Subordinated Indenture shall survive), shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be reasonably requested by the Authority to be prepared and filed with the Authority and, upon the request of the Authority, shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Paying Agent shall pay over or deliver to the Authority all moneys or securities held by them pursuant to the Subordinated Indenture and any Supplemental Subordinated Indenture which are not required for the payment of principal or Redemption Price, if applicable, on Subordinated Revenue Bonds not theretofore surrendered for such payment or redemption. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Owners of the Outstanding Subordinated Revenue Bonds of a particular Series, or of a particular maturity or particular Subordinated Revenue Bonds within a maturity within a Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Subordinated Indenture and any Supplemental Subordinated Indenture, such Subordinated Revenue Bonds shall cease to be entitled to any lien, benefit or security under the Subordinated Indenture and any Supplemental Subordinated Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such Subordinated Revenue Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Subordinated Revenue Bonds or interest installments for the payment or redemption of which moneys shall have been irrevocably set aside and shall be held in trust by the Paying Agent (through deposit by the Authority of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this heading. Subject to the provisions of the third and fourth paragraphs of this heading, any Outstanding Subordinated Revenue Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this heading if (i) in case any of said

Subordinated Revenue Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions to mail as provided in the Subordinated Indenture notice of redemption of such Subordinated Revenue Bonds (other than Subordinated Revenue Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Authority and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of redemption) on said date, (ii) there shall have been set aside irrevocably in trust, in compliance with the Act, an amount which shall be sufficient or Defeasance Securities (including any Defeasance Securities issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, set aside in trust, in compliance with the Act, at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Subordinated Revenue Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Subordinated Revenue Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it instructions to mail a notice to the Owners of such Subordinated Revenue Bonds that the deposit required by (ii) above has been made with the Trustee and a verification report from an independent certified public accountant confirming the sufficiency of the Defeasance Securities and moneys received by the Trustee and that said Subordinated Revenue Bonds are deemed to have been paid in accordance with the Subordinated Indenture and stating such maturity or redemption date upon which moneys are expected to be available for the payment of the principal or Redemption Price, if applicable, on said Subordinated Revenue Bonds (other than Subordinated Revenue Bonds which have been purchased by the Trustee at the direction of the Authority or purchased or otherwise acquired by the Board and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of redemption referred to in clause (i) of this paragraph). The Trustee shall, as and to the extent necessary, apply moneys set aside in trust, in compliance with the Act, pursuant to the Subordinated Indenture to the retirement of said Subordinated Revenue Bonds in amounts equal to the unsatisfied balances (determined as provided in the Subordinated Indenture) of any Sinking Fund Installments with respect to such Subordinated Revenue Bonds, all in the manner provided in the Subordinated Indenture. The Trustee shall, if so directed in writing by the Authority (1) prior to the maturity date of Subordinated Revenue Bonds deemed to have been paid in accordance with the Subordinated Indenture which are not to be redeemed prior to their maturity date or (2) prior to the mailing of the notice of redemption referred to in clause (i) above with respect to any Subordinated Revenue Bonds deemed to have been paid in accordance with the Subordinated Indenture which are to be redeemed on any date prior to their maturity, apply moneys set aside in trust, pursuant to the Act, in respect of such Subordinated Revenue Bonds and redeem or sell Defeasance Securities so set aside in trust and apply the proceeds thereof to the purchase of such Subordinated Revenue Bonds and the Trustee shall immediately thereafter cancel all such Subordinated Revenue Bonds so purchased; provided, however, that the moneys and Defeasance Securities remaining set aside in trust after the purchase and cancellation of such Subordinated Revenue Bonds shall be sufficient to pay when due the Principal Installment or Redemption Price, if applicable, and interest due or to become due on all Subordinated Revenue Bonds, in respect of which such moneys and Defeasance Securities are set aside in trust on or prior to the redemption date or maturity date thereof, as the case may be.

If, at any time (A) prior to the maturity date of Subordinated Revenue Bonds deemed to have been paid in accordance with the Subordinated Indenture which are not to be redeemed prior to their maturity date or (B) prior to the mailing of the notice of redemption referred to in clause (i) with respect to any Subordinated Revenue Bonds deemed to have been paid in accordance with the Subordinated Indenture which are to be redeemed on any date prior to their maturity, the

Authority shall purchase or otherwise acquire any such Subordinated Revenue Bonds and deliver such Subordinated Revenue Bonds to the Trustee prior to their maturity date or redemption date, as the case may be, the Trustee shall immediately cancel all such Subordinated Revenue Bonds so delivered; such delivery of Subordinated Revenue Bonds to the Trustee shall be accompanied by directions from the Board to the Trustee as to the manner in which such Subordinated Revenue Bonds are to be applied against the obligation of the Trustee to pay or redeem Subordinated Revenue Bonds deemed paid in accordance with the Subordinated Indenture. The directions given by the Board to the Trustee referred to in the preceding sentences shall be accompanied by (I) a report from an independent certified public accounting firm to the effect that there will remain set aside in trust after any purchases, acquisition and cancellations of Subordinated Revenue Bonds as provided in the Subordinated Indenture, an amount which shall be sufficient, or Defeasance Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, set aside in trust, at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Subordinated Revenue Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (II) an unqualified opinion of nationally recognized attorneys on the subject of municipal bonds to the effect that any acquisition, cancellation or disposition would not cause any Subordinated Revenue Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code and regulations thereunder applicable to the Subordinated Revenue Bonds and shall also specify the portion, if any, of such Subordinated Revenue Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to pay Subordinated Revenue Bonds deemed paid in accordance with the Subordinated Indenture upon their maturity date or dates and the portion, if any, of such Subordinated Revenue Bonds so purchased or delivered and canceled to be applied against the obligation of the Trustee to redeem Subordinated Revenue Bonds deemed paid in accordance with the Subordinated Indenture on any date or dates prior to their maturity.

In the event that on any date as a result of any purchases, acquisitions and cancellations of Subordinated Revenue Bonds as provided in the Subordinated Indenture the total amount of moneys and Defeasance Securities remaining set aside in trust under the Subordinated Indenture is in excess of the total amount which would have been required to be set aside in trust on such date in respect of the remaining Subordinated Revenue Bonds in order to satisfy the Subordinated Indenture, the Trustee shall, if requested by the Authority, subject to the Subordinated Indenture, pay the amount of such excess to the Authority free and clear of any trust, lien, pledge or assignment securing said Subordinated Revenue Bonds or otherwise existing under the Subordinated Indenture, subject, however, to the provisions of the Subordinated Indenture concerning the Rebate Account. Except as otherwise provided the Subordinated Indenture, neither Defeasance Securities nor moneys set aside in trust pursuant to this heading nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Subordinated Revenue Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities set aside in trust, (y) to the extent such cash will not be required at any time for such purpose, shall be paid over to the Authority as received by the Trustee, free and clear of any trust, lien or pledge securing said Subordinated Revenue Bonds or otherwise existing under the Subordinated Indenture, subject, however, to the provisions of the Subordinated Indenture concerning the Rebate Account and (z) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Subordinated Revenue Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority,

subject, however, to the provisions of the Subordinated Indenture concerning the Rebate Account, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Subordinated Revenue Bonds or otherwise existing under the Subordinated Indenture, subject, however, to the provisions of the Subordinated Indenture concerning the Rebate Account.

SUMMARY OF THE FIRST SUPPLEMENTAL SUBORDINATED INDENTURE

The following is a summary of certain provisions of the First Supplemental Subordinated Indenture. Such summary does not purport to be complete or definitive and reference is made to the First Supplemental Subordinated Indenture for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under **APPENDIX A – “Glossary of Certain Defined Terms”**.

Optional Redemption.

At the request of the Authority, the Trustee shall give notice of redemption pursuant to the Subordinated Indenture prior to deposit of an amount sufficient to pay the redemption price of all Series 2009A Bonds being called for redemption and the interest accruing thereon to the redemption date in the applicable Redemption Subaccount in the Cruzan Pledged Revenue Account; provided any such notice sent prior to such deposit shall state that the redemption is conditioned upon receipt of adequate funds therefor.

Funds and Accounts.

The First Supplemental Subordinated Indenture establishes within the Senior Lien Construction Account a Series 2009A Senior Lien Construction Subaccount. The portion of the proceeds of the Series 2009A Bonds specified in the First Supplemental Subordinated Indenture shall be deposited in the Series 2009A Senior Lien Construction Subaccount and used to pay a portion of the costs of the Cruzan Project. Moneys in the Series 2009A Senior Lien Construction Subaccount shall be disbursed upon the written order of an authorized officer of the Authority delivered to the Trustee, substantially in the form of the Disbursement Request attached to the First Supplemental Subordinated Indenture. If there is a balance in the Series 2009A Senior Lien Construction Account in excess of the amount for the payment of any remaining part of the costs of completion of the Cruzan Project, the Trustee shall transfer such excess toward the Series 2009A Senior Lien Redemption Account of the Senior Lien Debt Service Account to be applied to the extent sufficient to effect the redemption of the Series 2009A Bonds.

The First Supplemental Subordinated Indenture establishes within the Senior Lien Debt Service Account a Series 2009A Senior Lien Debt Service Subaccount. The First Supplemental Subordinated Indenture establishes within the Series 2009A Senior Lien Debt Service Subaccount (i) the Series 2009A Senior Lien Interest Subaccount within the Senior Lien Interest Subaccount, (ii) the Series 2009A Senior Lien Principal Subaccount within the Senior Lien Principal Subaccount, and (iii) the Series 2009A Senior Lien Redemption Subaccount within the Senior Lien Redemption Subaccount. Moneys in such subaccounts shall be used in accordance with the Subordinated Indenture.

The First Supplemental Subordinated Indenture establishes within the Senior Lien Debt Service Reserve Account in the Senior Lien Debt Service Account a Series 2009A Senior Lien Debt Service Reserve Subaccount. The Series 2009A Senior Lien Debt Service Reserve Subaccount shall be funded at the time of the delivery of the Series 2009A Bonds in an amount equal to the Series 2009A Debt Service Reserve Requirement and shall be used in accordance with the provisions of the Subordinated Indenture.

The First Supplemental Subordinated Indenture establishes a Series 2009A Cost of Issuance Subaccount in the Cost of Issuance Account. The portion of the proceeds of the Series 2009A Bonds specified in the First Supplemental Subordinated Indenture shall be deposited in

the Series 2009A Cost of Issuance Subaccount and used to pay costs of issuance related to the Series 2009A Bonds. Any balance in the Series 2009A Cost of Issuance Subaccount upon payment of all such costs of issuance shall be disposed of in accordance with the provisions of the Subordinated Indenture.

The First Supplemental Subordinated Indenture establishes a Series 2009A Senior Lien Expense Subaccount in the Senior Lien Expense Subaccount. Moneys in the Series 2009A Senior Lien Expense Subaccount shall be disposed of in accordance with the provisions of the Subordinated Indenture.

Security for Series 2009A Bonds.

The Series 2009A Bonds shall be equally and ratably secured under the Subordinated Indenture with any other Senior Lien Bonds issued pursuant to the Subordinated Indenture, without preference, priority or distinction of any Senior Lien Bonds over any other Senior Lien Bonds, as provided in the Subordinated Indenture.

Arbitrage Rebate Account.

The First Supplemental Subordinated Indenture establishes the Series 2009A Arbitrage Rebate Account to be held by the Authority. The Authority shall deposit in the Series 2009A Arbitrage Rebate Account from legally available moneys from time to time for payment of the rebate obligations under the Code (the "Rebate Amount"). Notwithstanding anything in the First Supplemental Subordinated Indenture to the contrary, the Series 2009A Arbitrage Rebate Account is not pledged to the payment of the Series 2009A Bonds and shall not be used to pay the Series 2009A Bonds.

Default.

No failure to make payments of interest of or principal on any Second Lien Bonds shall constitute an Event of Default under the First Supplemental Subordinated Indenture unless no Series 2009A Bonds are Outstanding.

SUMMARY OF THE CRUZAN SPECIAL ESCROW AGREEMENT

The following is a summary of certain provisions of the Cruzan Special Escrow Agreement. Such summary does not purport to be complete or definitive and reference is made to the Cruzan Special Escrow Agreement for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under **APPENDIX A – “Glossary of Certain Defined Terms”**.

Flow of Funds.

Amounts in the Cruzan Special Escrow Fund are to be held by the Cruzan Special Escrow Agent to provide for the following deposits (in order of priority), (1) at the direction of the Government, the amounts set forth in a certificate of the Government with respect to clauses (i)-(v) and (vii) below, and (2) at the direction of Cruzan, the amounts set forth in a certificate of Cruzan with respect to clause (vi) below, in each case as calculated by the Calculation Agent in accordance with the Cruzan Agreement and the Calculation Agent Agreement, and transferred to the Cruzan Special Escrow Agent on or before the second Business Day prior to October 1 of each Fiscal Year, such deposits to be made on or prior to October 1 of each Fiscal Year:

(i) the deposit with the Trustee, or any paying agent, any amounts required for payment of principal of, redemption premium, if any, and interest on, Senior Lien Bonds in such Fiscal Year or any prior Fiscal Year and to replenish any Senior Lien Debt Service Reserve Account to the Debt Service Reserve Requirement level;

(ii) the deposit with the Trustee, or any paying agent, of amounts required for deposit in any Senior Lien Credit Subaccount, Senior Lien Expense Subaccount, Senior Lien Purchase Subaccount or any other Account or Subaccount in the Senior Lien Debt Service Account as may be established by a Supplemental Subordinated Indenture;

(iii) the deposit with the Trustee, or any paying agent, any amounts required for payment of principal of, redemption premium, if any, and interest on, Second Lien Bonds in such Fiscal Year or any prior Fiscal Year and to replenish any Second Lien Debt Service Reserve Account to the Debt Service Reserve Requirement level;

(iv) the deposit with the Trustee, or any paying agent, any amounts required for deposit in any Second Lien Credit Subaccount, Second Lien Expense Subaccount, Second Lien Purchase Subaccount or any other Account or Subaccount in the Second Lien Debt Service Account as may be established by a Supplemental Subordinated Indenture;

(v) to the Government amounts required pursuant to the Cruzan Agreement subject to any adjustments, offsets or reductions as may be required in accordance with the Cruzan Agreement, and certified by the Calculation Agent for payment to the Government Account. For avoidance of doubt, if the amount available to pay Cruzan in accordance with clause (vi) below after payment of amounts due under clauses (i) – (iv) above and this clause (v) is less than the amount due Cruzan under clause (vi) below, then the amount payable to the Government under this clause (v) shall be reduced by the lesser of (A) the amount available to pay the Government in accordance with this clause (v) after payment of amounts due under clauses (i) – (iv) and (B) the amount of Cruzan Matching Funds Revenues used to pay amounts due under the Senior Indenture;

(vi) the deposit to the account designated by Cruzan, of amounts required, if any, pursuant to the Cruzan Agreement (including, without limitation, any amounts payable to Cruzan from Excess Amounts (as defined in the Cruzan Agreement), any amount resulting from an adjustment, offset or reduction required in accordance with the Cruzan Agreement (and as described above) or from any other Government funds, to the extent provided in the Cruzan Agreement), for payment to the Cruzan Surplus Receipts Account; and

(vii) the deposit with the Government, in accordance with the Cruzan Special Escrow Agreement, of any amounts in excess of the deposits, if any, required above, as certified by the Calculation Agent, which amounts may be applied by the Government for any lawful purpose.

Irrevocability of the Cruzan Special Escrow Fund; Parity.

The escrow created by the Cruzan Special Escrow Agreement shall be irrevocable so long as any Subordinated Revenue Bonds are outstanding under the terms of the Subordinated Indenture and shall terminate upon satisfaction of all (x) obligations of the Government to the Authority with respect to the outstanding Subordinated Revenue Bonds and the Loan Agreements, (y) obligations of Cruzan to the Government and of the Government to Cruzan under the Cruzan Agreement, and (z) obligations of the Authority to the Trustee under the Subordinated Indenture.

The holders of the Senior Lien Bonds shall be on parity with each other and have a senior lien on any funds deposited in the Cruzan Special Escrow Fund over the Second Lien Bonds issued under the Subordinated Indenture, which Second Lien Bonds shall be on parity with each other, provided, however, the payment of any Subordinated Revenue Bonds shall be junior and subordinate to the payment of any Senior Bonds.

Termination.

The Cruzan Special Escrow Agreement shall terminate upon the later of (x) satisfaction of all obligations of the Government to the Authority with respect to the Subordinated Revenue Bonds and the Loan Agreements, (y) satisfaction of all obligations of Cruzan to the Government and of the Government to Cruzan under the Cruzan Agreement, and (z) when no Subordinated Revenue Bonds are Outstanding under the terms of the Subordinated Indenture and each Supplemental Subordinated Indenture. Any moneys remaining in the Cruzan Special Escrow Fund at the time of such termination shall be released to the Government.

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2009A LOAN AGREEMENT

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2009A LOAN AGREEMENT

The following is a summary of certain provisions of Series 2009A Loan Agreement. Such summary does not purport to be complete or definitive and reference is made to the Series 2009A Loan Agreement for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under **APPENDIX A – “Glossary of Certain Defined Terms”**.

The Loan. The Authority, on the terms and conditions set forth in the Series 2009A Loan Agreement, shall issue, sell, and deliver the Series 2009A Bonds to the Underwriter and make a Loan of the proceeds of the Series 2009A Bonds to the Government.

Repayment of the Loan. The Loan repayment obligation of the Government is evidenced by the Series 2009A Loan Note. The Government shall repay to the Authority the amounts due and payable pursuant to the Series 2009A Loan Note in installments of principal and interest pursuant to the Series 2009A Loan Agreement upon receipt of the Cruzan Matching Fund Revenues from the United States Treasury but not later than the second Business Day preceding October 1 in each year in the amounts equal to the amounts due for principal and interest on the Series 2009A Bonds that the Series 2009A Loan Note secures.

Redemption of the Series 2009A Loan Note. At the option of the Government (but subject to the consent of Cruzan, to the extent provided in the Cruzan Project Implementation Agreement), the Series 2009A Loan Note may be redeemed, in whole or in part, prior to its maturity at the times, in the manner and same maturities as an optional redemption of the Series 2009A Bonds and at a redemption price equal to the principal amount thereof, plus interest thereon accrued to the date of redemption and any premium required in connection with the optional redemption of the Series 2009A Bonds pursuant to the terms of the Subordinated Indenture. In addition, in the event the Series 2009A Bonds are subject to mandatory redemption in whole or in part, or in the event the Series 2009A Bonds are tendered by the holders thereof for purchase and are purchased by the Authority for retirement and cancellation, then, upon payment of the Redemption Price or purchase price of such Series 2009A Bonds, the Government shall be deemed to have made a prepayment on the Series 2009A Loan Note, in accordance with the terms of the Series 2009A Loan Agreement, in a principal amount equal to the aggregate principal amount of the Series 2009A Bonds so redeemed or purchased.

The principal of, interest on, Redemption Price, if any, of and all other amounts payable under the Series 2009A Loan Note shall be payable in immediately available funds in lawful money of the United States at the designated corporate trust office of the Trustee on behalf of the Authority, or such other place as the Authority may designate in writing to the Government. Not later than the second Business Day prior to October 1 of each year, the Cruzan Special Escrow Agent, at the direction of the Government, as certified by a calculation agent to be appointed by the Government, with the consent of Cruzan and Diageo USVI Inc. (“Diageo”) (the “Calculation Agent”), pursuant to the Calculation Agent Agreement, dated as of December 1, 2009, by and among the Government, the Authority, Cruzan, Diageo, the Cruzan Special Escrow Agent and the Diageo Special Escrow Agent (the “Calculation Agent Agreement”), shall advance to the Trustee amounts sufficient to pay, or provide for the payment of, the principal of, and interest on, or the Redemption Price of the Series 2009A Loan Note, if applicable, payable on October 1 and April 1 of the next Fiscal Year to be held by the Trustee for such payments.

The Government shall pay, as additional amounts due on the Series 2009A Loan Note (i) such amounts as are required to replenish any deficiency in the Series 2009A Senior Lien Debt Service Reserve Subaccount in an amount equal to the Debt Service Reserve Requirement; (ii) all such other amounts that are required in order to provide sufficient funds for the transfers from the Cruzan Pledged Revenue Account to the other accounts and subaccounts established or to be established under the Subordinated Indenture (other than the Senior Lien Interest Subaccount and the Senior Lien Principal Subaccount of the Senior Lien Debt Service Account) at the times and in the amounts set forth in the Subordinated Indenture; and (iii) such amounts sufficient to pay premium, if any, on the Series 2009A Bonds when due; and (iv) such other amounts, if any, payable by the Authority under the Series 2009A Bonds or pursuant to the terms of the Subordinated Indenture.

Application of Proceeds and Other Moneys. The Authority shall deposit all funds received from the proceeds of the Series 2009A Bonds into the respective accounts and subaccounts in accordance with the Series 2009A Loan Agreement.

Security. The Matching Fund Revenues that constitute the Cruzan Matching Fund Revenues shall be determined by the Calculation Agent, and certified to in a certificate delivered to the Trustee and the Cruzan Special Escrow Agent on or before the second Business Day prior to each October 1, commencing, October 1, 2010, pursuant to the Cruzan Special Escrow Agreement. The Cruzan Matching Fund Revenues are derived in accordance with United States Public Law 94-392, as amended, and are received from the United States pursuant to Section 28(b) of the Revised Organic Act of the Virgin Islands, as amended. The Series 2009A Loan Note is a special limited obligation of the Government and is secured solely by a pledge of the Cruzan Matching Fund Revenues. The Series 2009A Loan Note is not a debt of the United States of America and the United States of America is not liable on the Series 2009A Loan Note. The Series 2009A Bonds shall under no circumstances constitute a general obligation of the Authority, the United States Virgin Islands or the United States of America nor shall the Authority, the United States of America or the United States Virgin Islands be liable thereon. The Authority has no taxing power.

Pursuant to the Series 2009A Loan Agreement, the Government pledges and assigns its interest in the Cruzan Matching Fund Revenues and the Cruzan Special Escrow Agreement to the Trustee as security for the payment of the Series 2009A Loan Note and consents to the deposit of the Cruzan Matching Fund Revenues into the Cruzan Special Escrow Fund, as referenced in the Subordinated Indenture.

Representations and Warranties of the Government. The Government makes the following representations and warranties to the Authority:

The amount of Cruzan Matching Fund Revenues anticipated to be collected by the Government pursuant to Section 28(b) of the Revised Organic Act of 1954, as amended, is a sum which, during the period the Series 2009A Loan Note is outstanding, will be in excess of the amount necessary to pay the principal of and interest on the Series 2009A Loan Note issued in connection with the Series 2009A Bonds.

The Government is duly authorized and has full power and authority to execute, deliver and perform its obligations under the Series 2009A Loan Agreement, the Cruzan Agreement, the Cruzan Special Escrow Agreement, Amendment No. 4 to the Special Escrow Agreement, the Cruzan Project Implementation Agreement and the Series 2009A Loan Note.

The execution, delivery and performance by the Government of the Series 2009A Loan Agreement, the Cruzan Agreement, the Cruzan Special Escrow Agreement, Amendment No. 4 to the Special Escrow Agreement, the Cruzan Project Implementation Agreement and the Series 2009A Loan Note (i) have been duly authorized by all necessary action on the part of the Government; (ii) do not conflict with, or result in a violation of, any provision of law or any order, writ, rule or regulation of any court or governmental agency or instrumentality binding upon or applicable to the Government; (iii) do not and will not conflict with, result in a violation of, or constitute a default under, any agreement, resolution, mortgage, indenture or instrument to which the Government is a party or by which the Government or any of its property is bound; and (iv) do not and will not result in, or require, the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature (other than as permitted or arising under the Series 2009A Loan Agreement or the Cruzan Special Escrow Agreement) upon or with respect to any property of the Government.

No authorization, consent, approval, permit, license, exemption of or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality was, is or will be necessary for the valid execution, delivery or performance by, or enforcement against or by, the Government of the Series 2009A Loan Agreement, the Cruzan Special Escrow Agreement or the Series 2009A Loan Note.

Each of the Cruzan Agreement, the Cruzan Special Escrow Agreement, Amendment No. 4 to the Special Escrow Agreement, the Cruzan Project Implementation Agreement, the Series 2009A Loan Note and the Series 2009A Loan Agreement, when executed and delivered by the other parties thereto, constitutes, the legal, valid and binding obligation of the Government enforceable against the Government in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws subsequently enacted or principles of equity affecting the enforcement of creditors' rights generally as such laws may be applied in the event of insolvency, reorganization or other similar proceeding of, or moratorium applicable to, the Government. Notwithstanding anything in the representations and warranties sections of the Series 2009A Loan Agreement to the contrary, the Government acknowledges that the effect of any bankruptcy, insolvency, reorganization, moratorium or other similar law hereafter enacted by the Government on the enforceability of the Series 2009A Loan Agreement, the Cruzan Agreement, the Cruzan Special Escrow Agreement, Amendment No. 4 to the Special Escrow Agreement, the Cruzan Project Implementation Agreement or the Series 2009A Loan Note shall be subject to Article 3 of the Revised Organic Act (48 U.S.C.A. § 1561).

The Government is duly authorized under all applicable laws to issue the Series 2009A Loan Note as a special limited obligation indebtedness of the Government, secured solely by the Cruzan Matching Fund Revenues and to further secure the Series 2009A Loan Note by pledging and assigning a lien on and a security interest in the Cruzan Matching Fund Revenues and in all amounts on deposit in the Cruzan Special Escrow Account for the payment of principal of and interest on the Series 2009A Loan Note and all amounts payable under the Series 2009A Loan Agreement and thereunder. The Cruzan Matching Fund Revenues pledged and assigned by the Series 2009A Loan Agreement to the payment of principal of and interest on the Series 2009A Loan Note will be subject in all respects to the Senior Bonds and the pledge of Matching Fund Revenues as security for the Senior Bonds pursuant to the Senior Indenture, except as may be provided by a Supplemental Indenture, free and clear of any prior or parity pledge, lien, charge or encumbrance thereon or with respect thereto prior to or of equal rank with the pledge created by the Series 2009A Loan Agreement. Upon deposit of the Cruzan Matching Fund Revenues into the Cruzan Special Escrow Account pursuant to the Cruzan Special Escrow Agreement, such

amounts so deposited shall not be subject to any lien or attachment by any creditor of the Government or any other person which is of a rank prior to or on a parity with the lien created by the Series 2009A Loan Agreement, the Cruzan Special Escrow Agreement or the Subordinated Indenture. The Cruzan Special Escrow Agreement and Cruzan Matching Fund Revenues pledged and assigned by the Series 2009A Loan Agreement to the payment of principal and interest on the Series 2009A Loan Note will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto, subject and subordinate in all respects to the Senior Bonds and the pledge of Matching Fund Revenues as security for the Senior Bonds pursuant to the Senior Indenture, except as may be provided by a Supplemental Indenture, and all action on the part of the Government to that end has been and will be duly and validly taken.

There are no suits, actions, proceedings or investigations pending or, to the best knowledge of the Government, threatened against or affecting the Government or any of its properties, before or by any court or governmental department, commission, board, bureau, agency or instrumentality (other than as disclosed in writing to the Purchaser's counsel), seeking to restrain or enjoin the execution and delivery of the Series 2009A Loan Agreement or challenging the creation, validity, or binding effect of the Series 2009A Loan Agreement, the Cruzan Agreement, the Cruzan Special Escrow Agreement, Amendment No. 4 to the Special Escrow Agreement, the Cruzan Project Implementation Agreement, or the Series 2009A Loan Note or the ability of the Government to perform its obligation under said documents.

The Government is not, in any material respect, in breach of or in default under any applicable law or administrative regulation of the United States Virgin Islands or of the United States, relating, in each case, to the issuance of debt securities by the Government, or any applicable judgment, decree or loan agreement, note, resolution, ordinance, agreement or other instrument to which the Government is a party or is otherwise subject, the consequence of which or the correction of which would contest the creation, validity, or binding effect of the Series 2009A Loan Agreement, the Cruzan Agreement, the Cruzan Special Escrow Agreement, Amendment No. 4 to the Special Escrow Agreement, the Cruzan Project Implementation Agreement, or the Series 2009A Loan Note or the ability of the Government to perform its obligations under said documents.

At the time of issuance of the Series 2009A Loan Note, subject to the prior lien of the Senior Bonds and the pledge of Matching Fund Revenues as security for the Senior Bonds pursuant to the Senior Indenture, there are no other bonds, notes, or other evidences of indebtedness of the Government outstanding that are secured by the Cruzan Matching Fund Revenues.

Covenants of the Government. The Government covenants and agrees that, among other actions, the Government shall:

(i) observe and comply with the terms and conditions of and perform all of its obligations under the Series 2009A Loan Agreement, under the Series 2009A Loan Note, the Cruzan Special Escrow Agreement, the Cruzan Project Implementation Agreement, Amendment No. 4 to the Special Escrow Agreement and the Cruzan Agreement and pay all amounts payable by the Government under the Series 2009A Loan Agreement and thereunder according to the respective the terms of the Series 2009A Loan Agreement and thereof;

(ii) promptly notify the Authority and the Trustee in writing of the occurrence of (i) any Event of Default under the Series 2009A Loan Agreement or under the Cruzan Agreement and (ii) any default under documents governing any debt of the Government;

(iii) observe and comply with the terms and conditions of and perform all of its obligations under the Special Escrow Agreement, as amended and supplemented by Amendment No. 4 to the Special Escrow Agreement; and

(iv) consent to the assignment, pursuant to the Subordinated Indenture, of all right, title and interest of the Authority in the Series 2009A Loan Agreement, and all amendments, modifications and renewals of the Series 2009A Loan Agreement, to the Trustee, reserving to the Authority, however, the rights providing that notices and other communications be given to the Authority; and

(v) provide to the Authority within one hundred eighty (180) calendar days of the end of each Fiscal Year a financial report summarizing annual receipts of Cruzan Matching Fund Revenues and, if applicable, the Cruzan Substitute Revenues.

In furtherance of the pledge of Cruzan Matching Fund Revenues set forth in the Series 2009A Loan Agreement, the Government has covenanted to, among other things, request that the United States deliver and take all steps necessary to ensure the receipt of and the maximization of Matching Fund Revenues (including Cruzan Matching Fund Revenues) for which the Government is eligible to receive pursuant to Section 28(b) of the Revised Organic Act of the Virgin Islands, as amended, and to deposit such funds in the Cruzan Special Escrow Fund held by the Cruzan Special Escrow Agent pursuant to the Cruzan Special Escrow Agreement or as the Government may otherwise direct, with the consent of the Authority and the Trustee.

In furtherance of the pledge of Cruzan Matching Fund Revenues set forth in the Series 2009A Loan Agreement, the Government covenants to, among other things, do all things reasonably necessary to compel compliance by Cruzan with the terms, conditions and its performance obligations under the Cruzan Agreement.

At all times while the Series 2009A Loan Note is outstanding, to the extent permitted by law, defend, preserve and protect the pledge of the Cruzan Matching Fund Revenues, and, if applicable, any Substitute Revenues (as defined below), under the Series 2009A Loan Agreement and the security interest under the Cruzan Special Escrow Agreement in all amounts on deposit or required to be deposited in the Special Escrow Agreement and the Cruzan Special Escrow Agreement and all rights of the holder of the Series 2009A Loan Note against all claims and demands of all third parties.

No later than one hundred eighty (180) days after the close of the Fiscal Year, the Government shall direct the Calculation Agent to deliver to the Trustee, the Cruzan Special Escrow Agent, the Commissioner of Finance of the Government of the Virgin Islands and Cruzan a certificate setting forth the Cruzan Matching Fund Revenues received for application pursuant to the Cruzan Agreement and available for payment of the Loan installments required under the Series 2009A Loan Note.

In the event that the federal government discontinues the payment of Matching Fund Revenues to the Government and substitutes another stream of revenues in lieu thereof (the "Substitute Revenues"), the Government will use its best efforts to pledge such Substitute Revenues to the repayment of the Loan.

In addition, the Government shall not:

(i) revoke, amend or terminate the Cruzan Agreement, the Special Escrow Agreement, the Cruzan Special Escrow Agreement or the Cruzan Project Implementation Agreement if such revocation, amendment or termination may materially adversely affect the rights of the holder of the Series 2009A Loan Note.

(ii) allow the Cruzan Matching Fund Revenues to be encumbered by any lien, charge or encumbrance other than pursuant to the Senior Indenture and any Additional Subordinated Bonds (as defined in the Subordinated Indenture) which include Senior Lien Bonds (as defined in the Subordinated Indenture) and Second Lien Bonds (as defined in the Subordinated Indenture) issued in conformance with the terms of the requirements set forth in the Subordinated Indenture; nor

(iii) take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Series 2009A Bonds, under Section 103 of the Code. The Government will not directly or indirectly use or permit the use of any proceeds of the Series 2009A Bonds or take or omit to take any action that would cause the Series 2009A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code or private activity bonds with the meaning of Section 141 of the Code. To that end, the Government will comply with all requirements of Section 148 of the Code and Section 141 of the Code to the extent applicable to the Series 2009A Bonds.

Without limiting the generality of the foregoing, the Government agrees that there shall be paid from time to time all amounts required to be rebated to the United States of America pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applicable to the Series 2009A Bonds from time to time. The covenants in the negative covenants section of the Series 2009A Loan Agreement shall survive payment in full or defeasance of the Series 2009A Loan Note and the Series 2009A Bonds.

In order to comply with the negative covenants set forth in the Series 2009A Loan Agreement, the Government agrees to carry out the provisions of Section 148(f) of the Code and Treasury Regulations that apply to the Series 2009A Bonds, as such provisions may from time to time be added to, modified or eliminated. The Government further agrees to employ or appoint knowledgeable persons having experience in preparing computations under Section 148 of the Code to assist the Government in complying with such covenants.

Further, the Government shall not:

(i) fail to take such actions as required to ensure compliance with the terms of the Cruzan Agreement, including but not limited to, Articles IV, V and VI of such Cruzan Agreement, nor

(ii) take any actions, or fail to take any action that would in any way impair the Government’s right to collect the maximum amount of Matching Fund Revenues and Cruzan Matching Fund Revenues to which it may be entitled.

Affirmative Covenants of the Authority. The Authority shall use its best efforts to cause the Government to comply with the covenants set forth in the Series 2009A Loan Agreement.

Events of Default. The occurrence of any of the following events shall be an “Event of Default” under the Series 2009A Loan Agreement:

The Government shall fail to pay when due any amount payable on the Series 2009A Loan Note; or

The Government shall fail to perform or observe any term, covenant or agreement contained in the Series 2009A Loan Agreement, Amendment No.4 to the Special Escrow Agreement, the Special Escrow Agreement, the Cruzan Special Escrow Agreement, the Cruzan Project Implementation Agreement or the Cruzan Agreement on its part to be performed or observed and any such failure shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the Government by the Authority, Cruzan or the Trustee, provided, however, that if said default is such that it cannot be corrected within the applicable period, its occurrence shall not constitute an Event of Default if corrective action is instituted by the Government within the applicable period and diligently pursued until the default is corrected, or, with respect to the Cruzan Agreement or the Cruzan Project Implementation Agreement, such default has been waived by Cruzan; or

An “Event of Default” as such term is defined in the Subordinated Indenture.

Rights on Default. If an Event of Default shall happen and shall not have been remedied, then, and in every such case, past due principal and interest will continue to accrue under the Series 2009A Loan Note after such default and the holder of the Series 2009A Loan Note may do one or more of the following: (i) sue to collect sums due under the Series 2009A Loan Note, (ii) compel, to the extent permitted by law, by mandamus or otherwise, the performance by the Government of any covenant made in the Series 2009A Loan Agreement or the Series 2009A Loan Note, and (iii) examine the books and records of the Government to account for all moneys and securities constituting the Cruzan Matching Fund Revenues.

Continuing Obligation. Until the date on which all amounts due and owing to the Authority from the Government pursuant to the Series 2009A Loan Note shall have been paid in full or otherwise provided for, the Series 2009A Loan Agreement shall (i) be a continuing obligation of the Government and shall (ii) be binding upon the Government, its successors and assigns and (iii) inure to the benefit of and be enforceable by the Authority and the Trustee and their respective successors, transferees and assigns.

Amendments, Changes and Modifications. From time to time, the Governor, on behalf of the Government, with the consent of the Authority and the Trustee, and/or the Authority, with the consent of the Government and the Trustee, may cause to be executed a supplement to the Series 2009A Loan Agreement curing any ambiguity or curing, correcting or supplementing any defect or inconsistent provision contained in the Series 2009A Loan Agreement or making such provisions in regard to matters or questions arising in the Series 2009A Loan Agreement as may be necessary or desirable and as shall not materially adversely affect the interests of the holder of the Series 2009A Loan Note. Such supplement shall become effective upon the filing with the Government an instrument of the holder of the Series 2009A Loan Note approving such supplement. In addition, the Government and/or the Authority may cause to be executed a supplement to the Series 2009A Loan Agreement at any time and from time to time modifying any provision of the Series 2009A Loan Agreement with the consent of the holder of the Series 2009A Loan Note, except as provided in the Subordinated Indenture.

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APPENDIX D

INFORMATION REGARDING THE UNITED STATES VIRGIN ISLANDS

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INFORMATION REGARDING THE UNITED STATES VIRGIN ISLANDS

The information in this Appendix was obtained from the Government of the Virgin Islands and has not been independently verified by the Authority or the Underwriters.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Geography, Landscape and Climate

The United States Virgin Islands—also known as the U.S. Virgin Islands or more commonly as the Virgin Islands—is located some 1,600 miles southeast of New York City, about 1,075 miles from Miami, and 60 miles east of Puerto Rico. Approximately 70 small islands, islets and cays make up the Virgin Islands.

The principal islands are St. Croix, St. Thomas, St. John and Water Island. St. Croix, the largest of the four islands, has an area of 84 square miles and lies entirely in the Caribbean Sea. It is marked by undulating hills that rise gently to the north and lagoons that lie on the south coast. It has two main urban centers—Christiansted to the north and Frederiksted to the west—which both lie on a broad central plain. St. Thomas, which lies approximately 35 miles north of St. Croix, is 32 square miles in area. It is distinguished by a ridge of east-west hills that rise abruptly from the sea. It is marked by numerous sandy beaches along the shoreline, including Magens Bay, which is considered to be one of the finest beaches in the Caribbean. The main urban center, Charlotte Amalie, which also is the capital of the Virgin Islands, is surrounded by a protected deep water harbor. St. John is a 20- square mile area located approximately three miles east of St. Thomas. Its topography is similar to St. Thomas with steep, rugged hills and white-sandy beaches. About two-thirds of the island is preserved as the Virgin Islands National Park. Water Island is located approximately one-half mile from the harbor in Charlotte Amalie. In December 1996, Water Island was transferred to the Virgin Islands from the exclusive jurisdiction of the Department of Interior.

The Virgin Islands has temperatures ranging between 70°F and 90°F with an average of 78°F. Humidity is low and annual rainfall averages 40 inches. However, three hurricanes since 1989—Hugo, Marilyn and Bertha— caused considerable damage to all four islands.

Population

In 2008, the population of the Virgin Islands was estimated at 115,431, an increase of 0.6% from 2007, with 54,394 people on St. Thomas, 56,576 people on St. Croix and 4,461 people on St. John. The following table details the Virgin Islands and the United States population growth from 1950 through 2008.

Table 1
Comparative United States Virgin Islands
and United States Population Growth
1950-2008

Year	United States Virgin Islands Population	Annual Percentage Increase (Decrease)	United States Population	Annual Percentage Increase (Decrease)
1950	26,665	-	152,271,417	-
1960	32,099	2.0%	180,671,158	1.9%
1970	62,468	9.5	205,052,174	1.3
1980	96,569	5.5	227,224,681	1.0
1990	101,809	0.5	249,464,396	1.0
1999	107,912	1.0	279,040,168	1.2
2000	108,612	0.6	282,177,754	1.1
2001	109,344	0.7	285,093,813	1.0
2002	110,026	0.6	287,973,924	1.0
2003	110,740	0.6	290,809,777	1.0
2004	111,459	0.6	293,655,404	1.0
2005	111,470	0.0	295,895,897	0.8
2006	113,689	2.0	298,754,819	1.0
2007	114,743	0.9	301,621,157	1.0
2008	115,431	0.6	304,059,724	0.8

Sources: U.S. Census Bureau and United States Virgin Islands Bureau of Economic Research.

Per Capita Income

In 2008, per capita income of the Virgin Islands was \$20,381, an increase of approximately 3.0% from 2007. The per capita income in the United States in 2008 was \$39,751, an increase of approximately 2.9% from 2007. The following table sets forth the Virgin Islands per capita income from 1980 through 2008, and the United States per capita income from 1980 through 2008.

Table 2
Comparative Per Capita Income
United States Virgin Islands and United States
1980-2008
(current dollars)

Year	United States Virgin Islands	Annual Percentage Increase (Decrease)	United States	Annual Percent Increase (Decrease)
1980	6,230	-	10,183	-
1990	12,799	10.5%	19,572	9.2%
1999	16,242	2.8	27,843	3.5
2000	16,567	2.0	29,469	5.8
2001	16,898	2.0	30,271	2.7
2002	17,236	2.0	31,039	2.5
2003	17,581	2.0	31,632	2.4
2004	18,108	3.0	33,050	4.5
2005	18,652	3.0	34,586	4.6
2006	19,211	2.1	36,714	6.2
2007	19,787	3.0	38,615	5.2
2008	20,381	3.0	39,751	2.9

Sources: U.S. Bureau of Economic Analysis and United States Virgin Islands Bureau of Economic Research.

Employment

Civilian employment in the Virgin Islands grew during the last five years. The improvement in the job market was largely a result of an increase in private sector jobs, particularly in construction and financial services. The Virgin Islands' unemployment rate decreased to 5.8% in 2008 from 5.9% in 2007. As a result of the global financial crisis, however, the unemployment rate increased in 2009. As of September 30, 2009, the unemployment rate was 8.5%.

The unemployment rate rose to 9.4% in 2003, primarily as a result of the completion of construction of the coker plant by HOVENSA (described herein), which had employed approximately 2,000 construction workers. The following table sets forth the Virgin Islands labor and employment statistics and the Virgin Islands and the United States unemployment rates from 2001 through 2008.

Table 3
United States Virgin Islands Labor Force,
Employment and Unemployment Rates and
United States Unemployment Rates
2001-2008

Year	Labor Force	Employment	Unemployment Rate United States Virgin Islands	Unemployment Rate United States
2001	49,900	46,140	7.1%	4.7%
2002	49,457	44,980	8.7	5.8
2003	48,170	43,640	9.4	6.0
2004	50,066	46,295	7.8	5.5
2005	50,906	47,301	7.1	5.1
2006	50,794	48,640	6.2	4.6
2007	52,670	49,547	5.9	4.6
2008	52,710	49,677	5.8	5.8

Sources: United States Virgin Islands Department of Labor, Bureau of Labor Studies Reports, and the U.S. Department of Labor, Bureau of Labor Statistics.

About 73% of the jobs in the Virgin Islands are in the private sector. Private sector employment growth is fueled primarily by tourism and related services. The services sector experienced positive growth during 2007, and currently accounts for 29% of private employment. Wholesale and retail trade accounted for 21%, while construction, mining and manufacturing accounted for 17%.

Diageo USVI Inc. (“Diageo USVI”) is constructing a distillery, a washwater treatment facility and a warehouse facility (collectively, the “Diageo Project”) in Christiansted, St. Croix. See “DIAGEO – The Diageo Project”. Diageo USVI expects to employ up to 200 workers at one time during the construction phase of the Diageo Project and up to 70 workers when the new Diageo USVI facilities are fully operational.

Total public sector employment, which accounts for approximately 27% of jobs in the Virgin Islands, remained virtually flat during the last three years. In 2007, there were 12,698 public sector jobs compared to 12,460 in 2006. Federal and local governments are the largest employers in the public sector, with local government as the source of over 93% of all public sector jobs. The number of local government jobs was 12,015 in 2008, compared to 11,752 local government jobs in 2007. The number of United States federal government jobs was 957 in 2008, an increase of 1.2% from 946 jobs reported in 2007. Table 4 details the Virgin Islands annual wage and salary employment statistics from 2004 to 2008.

Table 4
Annual Wage and Salary Employment
United States Virgin Islands
2004-2008

	2004	2005	2006	2007	2008
Private sector:					
Construction & mining	1,709	2,437	3,421	3,470	3,359
Manufacturing	2,084	2,244	2,322	2,318	2,307
Transportation, communication & public utilities	1,518	1,672	1,634	1,625	1,615
Wholesale & retail trade	6,886	6,901	6,930	7,013	7,102
Finance, insurance & real estate	2,517	2,606	2,568	2,459	2,376
Leisure and Hospitality	7,131	7,119	7,141	7,469	7,496
Information	893	890	825	803	792
Services (professional, business, education, health).....	8,890	9,034	9,274	9,400	9,522
Total Private Sector	30,166	31,601	32,951	33,362	33,388
Government sector:					
U.S. federal government.....	860	873	925	946	959
Territorial government.....	11,508	11,462	11,536	11,752	12,015
Total Government Sector	12,368	12,335	12,461	12,698	12,973
Total	42,551	43,936	45,411	46,061	46,361

Source: United States Virgin Islands Department of Labor, Bureau of Labor Statistics. Some figures may not add due to rounding. Nonagricultural wage and salary employment 2003 series have been converted from the 1987 Standard Classification (SIC) system to the North American Industry Classification System (NAICS).

Table 5 lists the ten largest private sector employers in the Virgin Islands as of June 2009.

Table 5
United States Virgin Islands
Ten Largest Employers
Private Sector
(June 2009)

Name of Employer	Principal Business
HOVENSA L.L.C	Oil Refinery
K-Mart Corporation	Department Store
Ritz-Carlton Hotel VI Inc.	Resort Hotel
Innovative Telephone Corporation	Utility
Turner St. Croix Maintenance	Maintenance
CBI Acquisition, LLC	Resort Hotel
Plaza Extra Supermarket, St. Croix	Grocery Store
Westin St. John Hotel, Inc.	Resort Hotel
Frenchman's Reef Beach Resort	Resort Hotel
First Bank – Virgin Islands	Banking
WHM St. Thomas, Inc.	Resort Hotel

Source: United States Virgin Islands Department of Labor, Bureau of Labor Statistics.

Tax Incentives Programs

Economic Development Commission

The Government offers various tax incentives that promote industrial and economic development in the Virgin Islands. The most notable incentive program was created by the Legislature in October 1975. The Economic Development Commission (the “Commission” or the “EDC”) was created to promote the growth, development and diversification of the economy of the Virgin Islands (the “Economic Development Program”). Qualifying businesses—corporations, partnerships or sole proprietorships—receive various benefits if they meet certain criteria set forth in the legislation. Gross Receipts Taxes are eligible for abatement by the Commission that could result in a reduction of Gross Receipts Taxes payable to the Government.

To qualify for tax incentives, investors must invest at least \$100,000, exclusive of inventory, in an eligible business and employ at least ten persons on a full-time basis. 80% of all employees must be residents of the Virgin Islands. Small, locally-owned businesses may receive EDC benefits for a minimum of five years or up to half the term of the regular program if they invest at least \$20,000 and have at least two full-time employees. A beneficiary receives a substantial reduction in, or an exemption from, all taxes imposed on businesses, including the Gross Receipts Taxes. Most importantly, the economic development legislation permits a 90% income tax reduction, resulting in a maximum tax rate of less than 4% on income for approved operations. Tax benefits also extend to passive income from certain qualifying investments, such as the Virgin Islands government obligations. The 90% reduction extends to dividends received by a beneficiary’s Virgin Islands resident shareholders.

As of June 30, 2009, 95 businesses actively conducted operations under the Economic Development Program. Applicants that are granted benefits are permitted to commence receiving benefits at some point during the first five years of operation of their enterprise. To date, 37 companies who previously were approved for benefits have not elected to commence benefits. The EDC has started a retention program to facilitate and support applicants in the activation process.

In 2004, Congress passed The American Jobs Creation Act of 2004 (“Jobs Act”), which placed new restrictions on the use of the tax incentives limiting activities which take place wholly within the Virgin Islands and requiring owners who become residents in the Virgin Islands to live in the Virgin Islands at least half of the year in order to enjoy the tax benefits. As a result of the changes brought about by the Jobs Act, the EDC has seen a reduction in the number of applications submitted for EDC benefits. Most of the reduction has been in applicants seeking benefits as Designated Services Companies, which are mainly financial services and consulting companies and which are required to have clients or customers outside of the Virgin Islands. In Fiscal Year 2009, five Designated Services Companies closed operations as a result of the impact of the Jobs Act and one watch industry company closed as a result of foreign competition and customs restrictions. To date, a total of 32 beneficiaries have closed operations and 28 beneficiaries petitioned to the Board for consideration of waivers of employment and/or modifications to special conditions in order to maintain operations within the Virgin Islands. The EDC has not seen a material decline in the number of non-Designated Service Company applicants. As a result of the changes caused by the Jobs Act, the EDC has implemented a mitigation program to assist EDC beneficiaries who can document economic harm or loss.

To encourage self-compliance, the Commission provides an orientation to all beneficiaries, as part of which beneficiaries receive information on the performance of the terms of their contract with the Government, compliance with all applicable local and federal laws and regulations and the reporting requirements of the program. The Commission has in place compliance monitoring mechanisms, including an annual compliance conference. The Commission also assists beneficiaries in coordinating

with other government agencies responsible for administering provisions of the incentive program to ensure compliance with the program requirements. In cases of non-compliance, the Commission assesses fines and holds revocation and suspensions hearings which allow the Commission to revoke, suspend or modify benefits and to require beneficiaries who have failed to comply with Commission conditions to return the amount of any benefits received.

The EDC Program allows some qualifying investors to receive limited extensions or renewals of tax benefits, provided such investors fulfill certain criteria, including the ability to continue to promote economic development in the Virgin Islands. The Commission is currently trying to limit the number of extensions or renewals of benefits in favor of granting benefits to new businesses in growing industries such as financial services industries, tourism, marine and medical technology-based enterprises, which will further stimulate the economy of the Virgin Islands by providing positions for skilled labor and college educated personnel.

Section 934 Tax Incentives

Pursuant to 26 U.S.C. § 934 (“Section 934 Tax Incentives”), the Government, through the EDC, may provide certain reductions in income tax liability incurred to the Virgin Islands. Such tax reductions are permitted for (i) income derived from sources within the Virgin Islands or income effectively connected with the conduct of a trade or business within the Virgin Islands, (ii) income tax liability paid by citizens or residents of the United States, and (iii) income derived by qualified foreign corporations from sources outside the United States and which is not effectively connected with the conduct of a trade or business within the United States.

Section 934 Tax Incentives may have the effect of reducing the amount of income tax paid to the Government. Such tax incentives, however, may increase the conduct of business that results in other economic benefits to the Virgin Islands.

Tax Increment Financing

In June 2008, the Government of the Virgin Islands enacted the Tax Increment Financing (“TIF”) legislation as an additional economic development tool. In September 2008, the Economic Development Authority certified the Island Crossings Shopping Center (the “ICSC”) on St. Croix as the Virgin Islands’ first TIF area and authorized the issuance of up to \$30 million in tax-exempt bonds to finance a portion of the costs of a 43 acre mixed-use sustainable development project to be constructed on the ICSC site and anchored by a Home Depot. The tax-exempt bonds will be secured by the incremental increase in gross receipts and real property tax revenues generated at the ICSC site.

Grant Financing

In order to expand the rum industry in the Virgin Islands, the Government entered into the thirty (30) year agreement with Diageo USVI, pursuant to which Diageo USVI agreed to build and operate on St. Croix a distillery for production, and warehouses for the storage, of bulk rum used in the production of Captain Morgan branded products in St. Croix in return for certain economic development incentives from the Government. In exchange for such incentives, in addition to agreeing to develop the Diageo Project, Diageo USVI agreed (i) that on or about January 1, 2012 or earlier if so decided by Diageo USVI, all bulk rum used in the production of Captain Morgan branded products sold in the United States will be produced at the Diageo USVI distillery, and (ii) to minimum rum production thresholds starting at 1.5 million proof gallons in Fiscal Year 2012.

Transportation

The Virgin Islands are accessible by air from around the world. Approximately 80 flights per week during the off-tourist season and 90 flights per week during the peak tourist season travel between the Virgin Islands and the United States mainland on six major airlines.

The Cyril E. King Airport Terminal on St. Thomas was completed and opened in October 1990. The expansion of the runway to 7,000 feet was completed and placed into service in December 1992. Major renovation and expansion of the Henry E. Rohlsen Airport Terminal on St. Croix was completed in January 2002. The renovation doubled the terminal's existing square footage to 181,000 square feet and expanded the runway to 10,000 feet.

Inter-island transportation between St. Thomas and St. Croix is provided by seaplane and regular ferry service. The island of St. John can be reached by regular airplane, seaplane and ferry service. Inter-island ferry service also provides passenger service between St. Thomas and the nearby British Virgin Islands several times a day. The Virgin Islands' internal transportation needs are served by a large number of taxis, taxivans, open-air buses, the public transit system (VITRAN) and rental cars.

Utilities and Energy

The Virgin Islands Water and Power Authority ("WAPA"), an instrumentality of the Government, owns and operates electric power generation and distribution facilities on St. Thomas and St. Croix and currently is the sole provider of electricity in the Virgin Islands with the exception of a limited number of commercial entities that produce electricity for their own use. WAPA provides electricity to approximately 50,000 customers. WAPA also operates a water production and distribution system and provides water service to approximately 10,000 customers. Gas is available from various companies throughout the Virgin Islands.

On August 10, 2009, WAPA and the Virgin Islands Waste Management Authority ("WMA") entered into contracts with affiliates of Colorado-based Alpine Energy Group, LLC (the "Company"), for the implementation of two waste-to-energy projects, one each on St. Croix and St. Thomas. Each waste-to-energy project will consist of two contracts, one with WMA for the design, construction and operation of a refuse derived fuel ("RDF") facility and one with WAPA for the design, construction and operation of a power production facility. Both projects will be financed and owned by the affiliates of the Company. Pursuant to the contracts with WMA, the Company will be required to accept up to 73,000 tons per day of acceptable waste generated on each island. The acceptable waste will be processed and turned into RDF, which, together with pet coke, will be utilized at the power production facilities as fuel for the generation of electricity. WMA will be required to pay an annual service fee to the Company for solid waste management services. Pursuant to the terms of the WAPA contracts, WAPA will purchase power generated by the power generation facilities. On St. Thomas, the power production facility is anticipated to generate approximately 32 MW of electricity. In addition, the Company will be responsible for the disposal of the ash residue. Each contract will have a 20 year term with a 5-year renewal option by the authorities at the end of the term. The terms of the contracts do not begin until all permits and financing have been received by the Company.

Tourism

Tourism is the Virgin Islands' largest industry and represents the largest business segment in the private sector.

Visitor Arrivals

In 2008, the Virgin Islands recorded 2.435 million visitor arrivals, which represents a decrease of 6.7% from 2.611 million visitor arrivals recorded in 2007. After a decrease in tourism in 2001 and 2002, following the terrorist attacks in the United States involving the hijacking of airplanes and crashing them into the World Trade Center in New York City and a remote area of Pennsylvania on September 11, 2001, the performance in the tourism sector during the last five years has been uneven and it worsened by the global economic crisis that commenced in 2008. Total visitor arrivals in 2008 decreased by 6.7% from 2007. Cruise passenger arrivals in St. Thomas and St. John decreased by 8.5% as compared to 2007. The number of cruise ship arrivals on St. Croix decreased from 6 in 2007 to 2 in 2008. The removal of St. Croix from the itineraries of Carnival and Royal Caribbean cruise lines in 2008 accounted for the 66.7% decrease in the number of cruise passengers arriving on St. Croix between those two years. In 2008, air visitors to St. Thomas and St. John increased by 6.2% as compared to 2004. The Virgin Islands continued to experience a decrease in total visitor arrivals in 2009. As of September 2009, total visitor arrivals decreased by 11.8% compared to the same period in 2008.

Starting in 2009, 48 cruise ships are scheduled to arrive on St. Croix, including Azamara Cruiselines, Celebrity Cruiselines and Holland America. The scheduled cruise ship arrivals are expected to bring approximately 121,768 visitors to St. Croix in 2009. Table 7 details visitor arrivals in the Virgin Islands from 2004 to 2008.

Table 7
United States Virgin Islands
Visitor Arrivals
2004-2008
(000's)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
St. Thomas/St. John:					
Air Visitors	524.2	544.8	535.5	561.3	556.9
Cruise Passengers	1,960.9	1,910.2	1,901.3	1,917.4	1,754.6
Total Visitors	<u>2,485.1</u>	<u>2,455.0</u>	<u>2,436.8</u>	<u>2,478.7</u>	<u>2,311.5</u>
Number of Cruise Ship Visits*	922	814	776	750	685
St. Croix:					
Air Visitors	130.8	144.5	135.3	132.1	121.9
Cruise Passengers	25.0	54.5	35.2	7.1	2.5
Total Visitors	<u>155.8</u>	<u>204.1</u>	<u>170.5</u>	<u>139.2</u>	<u>124.4</u>
Number of Cruise Ship Visits*	11	48	25	6	2
Total U.S. Virgin Islands:					
Air Visitors	655.0	689.4	670.7	693.4	678.9
Cruise Passengers	1,964.7	1,912.5	1,903.5	1,917.9	1,757.0
Total Visitors	<u>2,619.7</u>	<u>2,601.9</u>	<u>2,574.2</u>	<u>2,611.3</u>	<u>2,435.9</u>
Number of Cruise Ship Visits*	924	818	782	752	687

* Actual, not thousands. Totals by island include first and second port of entry arrivals. Total arrivals for the Virgin Islands include first territorial port of entry only; passengers visiting more than one U.S. Virgin Island during the same cruise are only counted once in the Virgin Islands total. Consequently, the Virgin Islands total will always be less than or equal to the sum of the two island totals as indicated.

Source: United States Virgin Islands Bureau of Economic Research.

Hotel and Condominium Occupancy

Hotel occupancy decreased to 60.0% in 2008, from 64.6% in 2007. The number of hotel and condominium rooms decreased slightly to 1,075 in 2008, compared to 1,079 in 2007. Table 8 sets forth the statistics for hotel and other tourist accommodations from 2004 to 2008. The estimated hotel occupancy as of October 31, 2009, was 58.7%

Table 8
United States Virgin Islands
Hotel and Other Tourist Accommodations
2004-2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
St. Thomas/St. John:					
Total rooms/units	3,787	3,612	3,650	3,580	3,669
Number of hotels	31	30	30	29	30
Hotel rooms	3,034	2,830	2,862	2,775	2,872
Condominium/other units	753	782	788	805	797
Occupancy rate (percent)	65.2	66.1	63.0	68.0	68.0
St. Croix:					
Total rooms/units	1,172	1,149	1,162	1,177	1,187
Number of hotels	17	17	17	17	17
Hotel rooms	872	856	877	903	910
Condominium/other units	299	293	285	275	278
Occupancy rate (percent)	49.2	56.7	51.2	54.3	46.3
Total U.S. Virgin Islands:					
Total rooms/units	4,959	4,761	4,812	4,757	4,857
Number of hotels	48	47	47	46	47
Hotel rooms	3,906	3,687	3,739	3,678	3,782
Condominium/other units	1,053	1,075	1,073	1,079	1,075
Occupancy rate (percent)	61.3	63.8	60.1	64.6	60.0

Source: United States Virgin Islands Bureau of Economic Research.

Visitor Expenditures

Total expenditures by all visitors (tourists, cruise passengers and other excursionists) to the Virgin Islands totaled \$1,433.0 billion in 2007, a decrease of 2.2% from 2006. Table 9 details visitor expenditures in the Virgin Islands from 2004 to 2007. As of the date of this Official Statement, the visitor expenditures data for 2008 was not available.

Table 9
United States Virgin Islands
Visitor Expenditures
2004-2007
(in millions)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Tourists	\$789.8	\$863.8	\$881.0	\$829.4
Excursionists:				
Day-trip by air	27.6	28.0	26.7	49.2
Cruise passengers	538.6	599.2	558.0	554.3
Total	<u>566.2</u>	<u>629.2</u>	<u>584.7</u>	<u>603.5</u>
Total Expenditures	<u>\$1,356.0</u>	<u>\$1,493.0</u>	<u>\$1,465.7</u>	<u>\$1,433.0</u>

Source: United States Virgin Islands Bureau of Economic Research.

The Virgin Islands benefits from a \$1,600 duty-free exemption for articles purchased in the Virgin Islands and either mailed or taken back to the United States mainland once each 30 days without regard to the length of stay abroad, while other countries in the Caribbean basin only have a \$800 duty-free exemption (a two-to-one advantage). In addition, each adult is permitted to take up to 1.2 gallons of duty-free liquor as compared to one quart from other areas. In response to falling U.S. tariff rates and increased competition from Caribbean neighbors, local customs duties and excise taxes were removed from selected tourist-oriented merchandise in 1982. As a result, prices of various luxury items, such as jewelry, china, cameras, leather goods, perfumes, watches and clocks, can be significantly below average United States mainland prices.

Construction and Real Estate

From 2007 to 2008, the total value of approved building construction permits for all of the Virgin Islands, an indicator of current and future industry activity, increased by 2.7%, primarily due to an increase in the value of private residential construction permits.

The construction sector averaged 3,426 jobs in Fiscal Year 2008, compared to 3,591 jobs during Fiscal Year 2007. Construction jobs declined 4.6% in Fiscal Year 2008 and by 8.0% in the first quarter of Fiscal Year 2009. Construction activity is expected to increase as a result of private construction activities in hotel development, road construction, seaport expansion, public and private-sector housing development and retail and commercial office space. For example, the new rum distillery and storage facility for Captain Morgan's rum to be constructed on St. Croix by Diageo USVI Inc. is expected to open in the third quarter of Fiscal Year 2010.

From 2007 to 2008, private residential construction increased by 23.0% on St. Thomas and St. John and by 7.3% on St. Croix, and private non-residential construction decreased by 45.6% on St. Thomas and St. John and by 54.2% on St. Croix. The following two tables detail the value of construction permits and the residential real estate market sales in the Virgin Islands from 2004 to 2008.

Table 10
United States Virgin Islands
Value of Construction Permits
2004-2008

Year	Total USVI (millions)	Percent Increase (Decrease)	St. Thomas/ St. John (millions)	Percent Increase (Decrease)	St. Croix (millions)	Percent Increase (Decrease)
2004	339.4	32.8	210.2	20.3	129.2	59.7
2005	390.2	15.0	274.3	30.4	115.9	(10.3)
2006	442.7	13.5	217.7	(20.6)	225.0	94.2
2007	266.0	(39.9)	172.6	(20.6)	93.1	(58.6)
2008	273.3	2.7	183.8	6.3	89.5	(3.9)

Source: United States Virgin Islands Bureau of Economic Research.

Table 11
United States Virgin Islands
Residential Real Estate Market Sales Analysis
2004-2008

	2004	2005	2006	2007	2008
St. Thomas/ St. John:					
Number of Homes Sold	304	244	192	174	148
Average Home Sales Price (\$)	509,879	649,655	684,742	782,938	560,006
No. of Condominium Sales	318	277	240	184	158
Average Condominium Sales Price (\$)	184,498	234,233	260,142	294,969	311,654
St. Croix:					
Number of Homes Sold	283	267	288	280	187
Average Home Sales Price (\$)	302,278	302,874	367,938	364,266	385,665
No. of Condominium Sales	233	261	239	114	108
Average Condominium Sales Price (\$)	120,440	151,361	166,081	246,346	218,382
Total U.S. Virgin Islands:					
Number of Homes Sold	587	511	480	454	335
Average Home Sales Price (\$)	409,792	468,460	494,660	525,048	462,687
No. of Condominium Sales	551	538	479	298	266
Average Condominium Sales Price (\$)	157,410	194,029	213,210	279,368	273,784

Source: United States Virgin Islands Bureau of Economic Research.

The table below presents the 15 largest real property taxpayers in the United States Virgin Islands in 2005.

Table 12
15 Largest Real Property Taxpayers of the
United States Virgin Islands
2005

Name	Assessment**	Taxes
HOVENSA	\$1,872,595,713	\$14,044,467*
Lockhart (Family)	82,151,814	499,129*
Topa Equities	61,061,603	472,058*
Hartman (Family)	41,159,948	280,937*
Palace Resorts	31,918,105	239,385*
Sunny Isles Shopping Center	18,783,548	148,126*
Cabrita Grand Estates	16,647,774	124,858*
Banco Popular de Puerto Rico	16,083,370	120,625*
Innovative Telephone	14,805,822	110,571*
Boschulte (Family)	16,328,874	95,333*
B&W Realty Investment, Ltd.	11,655,551	93,066*
St. Thomas Liquor Co.	12,092,584	92,744*
Isidore Paiewonsky	8,932,526	68,293*
VI Inns, Ltd./Circa 1675, LLP	7,582,354	60,167*
Ginn-LA Fund VI, LLC	10,066,536	46,887*
Total	\$2,221,866,122	\$16,496,654

* Decrease in Real Property Taxes due to the granting of Farmland, Homestead, Veterans, Elderly, and Nonprofit Exemptions, or an increase in Sewer User's Fee.

** Assessments are 100%.

Source: United States Virgin Islands Office of the Tax Assessor.

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS

General

Under the terms of the Revised Organic Act, the Virgin Islands is an unincorporated territory of the United States with separate executive, legislative and judicial branches of government. The legislative power of the Virgin Islands is vested in the Legislature, a unicameral, popularly elected body consisting of 15 members who serve two-year terms. The Legislature has jurisdiction over “all rightful subjects of legislation” not inconsistent with the laws of the United States made applicable to the Virgin Islands.

Executive power resides with a Governor and a Lieutenant Governor who are elected every four years. The Governor is responsible for execution of local laws, administration of all activities of the executive branch and appointment of department heads and other employees. The current Governor is the Honorable John P. deJongh, Jr., and the current Lieutenant Governor is the Honorable Gregory R. Francis, both of whom assumed office on January 1, 2007.

Judicial power is vested in the Supreme Court and the Superior Court of the Virgin Islands, each established by local law with jurisdiction over all local matters, and the District Court of the Virgin Islands, which has the jurisdiction of a District Court of the United States. The Supreme Court of the Virgin Islands has appellate jurisdiction over the Superior Court. The United States Court of Appeals for the Third Circuit (the “Third Circuit”) has appellate jurisdiction over the District Court and its appellate division and the Supreme Court; however, a party wishing to appeal a decision of the Virgin Islands Supreme Court to the Third Circuit must first file a Petition for a Writ of Certiorari with the Third Circuit. A case on appeal from the Virgin Islands Supreme Court can be heard by the Third Circuit only if it grants the Petition.

The Supreme Court justices are appointed by the Governor and confirmed by the Legislature and serve for terms of ten years. The Superior Court judges are appointed by the Governor and confirmed by the Legislature and serve for terms of six years. The judges of the District Court of the Virgin Islands are appointed by the President of the United States with the advice and consent of the United States Senate and serve for ten years.

As an unincorporated territory of the United States, the Virgin Islands is subject to the plenary power of Congress to make rules and regulations with respect to the Virgin Islands. In addition, Congress has the power to legislate directly for a territory or to establish the government for such territory subject to congressional control.

Pursuant to the Insular Areas Act of 1982, the Office of Inspector General (“OIG”) of the Department of Interior performs the functions of government comptroller through audits of revenues and receipts and expenditure of funds and property of the Virgin Islands, as well as the other insular areas of Guam, American Samoa, and the Commonwealth of Northern Mariana Islands. In this role, the OIG has issued numerous audit reports in the past regarding the finances of the Virgin Islands.

Residents of the Virgin Islands have been citizens of the United States since 1917. However, apart from express Congressional grants of rights, such as the Bill of Rights in Section 1561 of the Revised Organic Act, residency in the Virgin Islands does not carry with it the full range of rights which accompany citizenship in any of the states. Residents of the Virgin Islands do not have the right to vote in national elections for the President and Vice President of the United States. The Virgin Islands has an elected, non-voting delegate to the United States House of Representatives. Pursuant to a rule of the

United States House of Representatives, the delegate may vote in legislative committees and participate in floor debate but may not vote on the House floor.

Outstanding Indebtedness of the Government

General Obligation Debt

The Revised Organic Act restricts the principal amount of general obligation debt which the Government may issue to no greater than 10% of the aggregate assessed valuation of taxable real property in the Virgin Islands. As of December 1, 2009, the Government had approximately \$669.1 million of general obligation debt outstanding. Such amount is within the statutory debt limitation established under the Revised Organic Act.

Outstanding Bonds and Similar Obligations

Outlined in Table 13 are the general obligation bonds or notes of the Government issued either by the Government or by the Authority on behalf of the Government, and the revenue obligations of the Government, outstanding as of December 1, 2009.

In addition to the obligations noted in Table 13, in April 2004 and in April 2007, the Authority, on behalf of the Government, issued Refinery Facilities Senior Secured Tax-Exempt Revenue Bonds (HOVENSA Refinery) (the “HOVENSA Bonds”) on behalf of HOVENSA for construction of a coker. The HOVENSA Bonds are solely secured by, and payable from, revenues of HOVENSA.

The Revenue and Refunding Bonds (Virgin Islands Matching Fund Loan Notes) 1998 Series A and E (the “1998 Bonds”), the Revenue Bonds (Federal Highway Reimbursement Anticipation Loan Note), Series 2002 (the “2002 Bonds”) and the Revenue Bonds, Series 2004A (Virgin Islands Matching Fund Loan Note) (the “2004A Bonds”) are each a special limited obligation of the Authority secured by revenues of the Authority received pursuant to various notes from the Government. The 1998 Bonds, the 2002 Bonds and the 2004A Bonds are special limited obligations of the Government and do not have recourse to the Gross Receipts Taxes or to any other revenues not pledged to debt service for such revenue bonds issued by the Authority. No recourse may be had for the payment of the 1998 Bonds, the 2002 Bonds, the 2004A Bonds or the HOVENSA Bonds against the general funds of the Authority, the Government’s general funds or the Gross Receipts Taxes that secure the Series 1999A Bonds, the Series 2003A Bonds, the Series 2006 Bonds, the 2008A Subordinate Lien Revenue Notes or any future Bonds issued under the Gross Receipts Taxes Indenture.

Table 13
Summary of Outstanding General Obligation Bonds or Notes
As of December 1, 2009

Issuer	Issue Description	Outstanding Amount	Security
United States Virgin Islands	General Obligation Bonds, 1999 Series A	\$600,000 *	General obligation of the Government
Virgin Islands Public Finance Authority	Revenue Bonds, Series 1999A (Virgin Islands Gross Receipts Taxes Loan Note) (the "Series 1999A Bonds")	\$87,695,000	Gross Receipts Taxes Loan Note payable by the Government and general obligation of the Government
Virgin Islands Public Finance Authority	Revenue Bonds, Series 2003A (Virgin Islands Gross Receipts Taxes Loan Note) (the "Series 2003A Bonds")	\$252,455,000	Gross Receipts Taxes Loan Note payable by the Government and general obligation of the Government
Virgin Islands Public Finance Authority	Revenue Bonds, Series 2006 (Virgin Islands Gross Receipts Taxes Loan Note) (the "Series 2006 Bonds")	\$215,965,000	Gross Receipts Taxes Loan Note payable by the Government and general obligation of the Government
Virgin Islands Public Finance Authority	Subordinate Lien Revenue Notes, Series 2008A (Virgin Islands Gross Receipts Taxes Loan Note) (the "2008A Subordinate Lien Revenue Notes")	\$4,377,992	Gross Receipts Taxes Loan Note payable by the Government and general obligation of the Government
Virgin Islands Public Finance Authority	Subordinate Lien Bond Anticipation Notes, Series 2009A (Virgin Islands Gross Receipts Taxes Loan Notes) (the "2009A Subordinate Lien Revenue Notes")	\$8,000,000	Gross Receipts Taxes Loan Note payable by the Government and general obligation of the Government
Virgin Islands Public Finance Authority	Subordinate Lien Bond Anticipation Notes, Series 2009B (Virgin Islands Gross Receipts Taxes Loan Notes) (the "2009B Subordinate Lien Revenue Notes")	\$100,000,000	Gross Receipts Taxes Loan Note payable by the Government and general obligation of the Government

Summary of Outstanding Revenue Obligations
As of December 1, 2009

Issuer	Issue Description	Outstanding Amount	Security
Virgin Islands Public Finance Authority	Revenue Bonds, Series 2004A (Virgin Islands Matching Fund Loan Note)	\$78,860,000	Matching Fund Loan Notes payable by the Government
Virgin Islands Public Finance Authority	Subordinated Revenue Bonds, Series 2009A (Virgin Islands Matching Fund Loan Note – Diageo Project)	\$250,000,000	Matching Fund Loan Notes payable by the Government
Virgin Islands Public Finance Authority	Revenue and Refunding Bonds, Series 2009A-1, Series 2009A-2, Series 2009B and Series 2009C (Virgin Islands Matching Fund Loan Notes)	\$458,840,000	Matching Fund Loan Notes payable by the Government

* Source: United States Virgin Islands Department of Finance. The remaining figures in this table were provided by the Trustee.

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APPENDIX E
CRUZAN AGREEMENT

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AGREEMENT

between

Cruzan VIRIL, Ltd.

and

Government of the United States Virgin Islands

Dated October 6, 2009

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AGREEMENT

THIS AGREEMENT (this "Agreement"), dated October 6, 2009, is made by and between Cruzan VIRIL, Ltd. ("Cruzan") and the Government of the United States Virgin Islands (the "Government"). The Government and Cruzan are sometimes collectively referred to as the "Parties" and individually as a "Party".

RECITALS

A. Government Recitals

WHEREAS the Government is committed to promoting the growth, development and diversification of the economy of the United States Virgin Islands (the "Virgin Islands" or the "Territory"); to benefiting the people of the Virgin Islands by developing to the fullest possible extent the human and economic resources available therein; to promoting capital investment for the economic development of the Virgin Islands; to establishing and preserving opportunities for skilled jobs for residents of the Virgin Islands; and to enhancing the business climate in the Virgin Islands, all of which purposes and objectives are declared to be in the public interest; and

WHEREAS the Government is interested in promoting a greater measure of economic self-sufficiency and autonomy, especially in light of the continuing international economic recession; and

WHEREAS the Government is interested in promoting economic growth and stability by generating revenue sufficient to support bond financing for capital investment throughout the Virgin Islands; and

WHEREAS the Government is committed to increasing employment opportunities and improving economic conditions on St. Croix and throughout the Virgin Islands; and

WHEREAS the Territory faces several challenges with significant financial impacts, which challenges have been exacerbated by the continuing global economic recession, including, but not limited to, the unfunded liability of the Government Employees Retirement System ("GERS"), retroactive pay obligations, unfunded healthcare costs, and the costs of operating and closing solid waste landfills; and

WHEREAS to these ends, the Government made a conscious decision to utilize the tools at its disposal through federal and territorial law to develop the rum production industry in the Territory; and

WHEREAS Cruzan and its predecessor companies have been producing bulk and branded rums, including Cruzan Rum, the Virgin Islands' leading branded rum, in St. Croix, Virgin Islands for over 70 years, and in the past 10 years has had five different owners; and

WHEREAS, there is no long-term written agreement currently between the Government and Cruzan that would ensure the continued production of Cruzan Rum and other rums in St. Croix, Virgin Islands, and the Government deems it important historically, culturally and economically to the Virgin Islands to ensure such continued rum production; and

WHEREAS the Government, is aware that the existing Cruzan distillery on St. Croix, Virgin Islands (the “Cruzan Distillery”) has had wastewater treatment concerns that have impacted the production capacity of Cruzan, and the Government is committed to assisting Cruzan in financing the development of an environmentally sound wastewater treatment plant at the distillery; and

WHEREAS the Government currently provides significant statutory incentives for the attraction and support of rum production facilities in the Territory, including the following:

- A Molasses Subsidy Fund and other molasses subsidies to assist distillers engaged in the processing of molasses into rum within the Virgin Islands (33 V.I.C. § 3036);
- Statutorily provided marketing support payments designed to support the long-term growth of branded rum products to build a stable long-term rum industry;
- Rum production incentives on bulk rum products to sustain the Virgin Islands bulk rum production industry in the face of international challenges in that industry;
- Statutory exemptions on property, excise, gross receipts and Income Taxes and other local Tax incentives; and
- Environmental mitigation support; and

WHEREAS the Government is entering into a long-term public-private relationship with Cruzan to advance the Government’s aforementioned purposes; and

WHEREAS the improvement, renovation, upgrading, and expansion of the existing Cruzan distillery is intended to generate substantial new revenues, including new Cover Over Revenues, that will enable the Government to support economic self-sufficiency and fiscal autonomy as well as capital investment and economic stability throughout the Virgin Islands; and

WHEREAS the development of an expanded and improved Cruzan Distillery is intended to strengthen the Virgin Islands rum industry (“Virgin Islands Rums”), may induce Cruzan to develop additional brands of rums, and provide the Government with the financial flexibility to provide needed support to said industry; and

WHEREAS the Government and Cruzan desire to memorialize their public-private relationship by this Agreement and to provide a project finance structure in which the revenues that will be used to repay the bonds to be issued in one or more series (the “Cruzan Project Bonds”), to finance the construction of a wastewater treatment facility (the “Cruzan Wastewater Treatment Facility”) and the improved and/or expanded production facilities (the “Cruzan Expansion Facility”, and collectively with the Cruzan Distillery and the Cruzan Wastewater Treatment Facility, the “Facilities”), and the revenues used to finance economic incentives

provided by the Government hereunder will derive from existing and future projected Cover Over Revenues produced by the operation of the Facilities; and

WHEREAS the Government is entering into this Agreement with Cruzan in reasonable reliance upon the longstanding commitment of the Congress of United States (“Congress”) to assist the Virgin Islands in attracting new and increased rum production through the availability of the rum cover over program, and the mutual desire of the Parties to further the purpose of said program; and

WHEREAS Congress, in 1954 as part of the Revised Organic Act, extended the equalization cover-over provision to the Virgin Islands to foster greater fiscal autonomy, and in 1983 and 2000, enacted laws which vested the legislature of the Virgin Islands (the “Virgin Islands Legislature”) with sole authority to determine how rum Cover Over Revenues should be utilized; and

WHEREAS, upon the execution of this Agreement, the Government will submit this Agreement to the Virgin Islands Legislature for ratification pursuant to enabling legislation; and

WHEREAS it is the policy and determination of the Government that certain benefits and incentives as provided herein, in exchange for obligations and benefits received, should be made available to Cruzan to assist in its renovation, upgrading, improvement, expansion, and development of its existing rum production facilities on St. Croix, and the provision of these benefits are declared to meet the compelling public needs outlined above; and

WHEREAS the project (the “Project”) will consist of the alteration, upgrade, expansion or renovation of the Cruzan Distillery by Cruzan and / or its Affiliates in order to meet Cruzan’s production obligations under this Agreement or otherwise, or to be made to such other real property and improvements thereon which Cruzan may acquire to maintain and expand its production of rum, as contemplated under this Agreement, including the Cruzan Wastewater Treatment Facility to be constructed beginning in 2010 and any further upgrading and/or expansion constituting the Cruzan Expansion Facility to increase production capacity which Cruzan Wastewater Treatment Facility and Cruzan Expansion Facility will be financed with the proceeds of Cruzan Project Bonds, the debt service on such bonds will be derived from a portion of the Annual Gross Cover Over Receipts;

B. Cruzan Recitals

WHEREAS, Cruzan’s parent corporation, Beam Global, is the largest United States based distilled spirits company with a portfolio of globally recognized brands including Jim Beam bourbon, Sauza tequila, Courvoisier cognac, DeKuyper cordials (in the United States), Maker’s Mark bourbon, Canadian Club whiskey, Teacher’s scotch and Cruzan Rum; and

WHEREAS, Beam Global is a subsidiary of Fortune Brands, a United States based consumer brands company in the distilled spirits, home and hardware products, and golf industries whose brands, including in addition to the spirits brands listed above, include market leading brands such as Titleist golf products, Moen faucets and Master Lock security products; and

WHEREAS, Cruzan Rum is one of the fastest growing rum brands in the premium segment of the rum industry; and

WHEREAS, Cruzan is deeply rooted in the history of the Virgin Islands and traces its heritage back to 1760; and

WHEREAS, the Cruzan Rum name is derived from the word used to describe St. Croix residents, and in recognition of that heritage Beam Global has recently launched a new campaign advertising Cruzan Rum as “The Legendary Rum of St. Croix”; and

WHEREAS, Cruzan desires to secure a long term future in the Virgin Islands and strengthen its mutually beneficial partnership with the Government and the people of the Virgin Islands; and

WHEREAS, extending and strengthening this partnership will enable Cruzan to further contribute to the economic stability, self-sufficiency, energy conservation and environmental protection of St. Croix; and

WHEREAS, Cruzan intends to improve its environmental stewardship by investing in the state-of-the-art Cruzan Wastewater Treatment Facility which will relieve pressure on the island’s precious resources; and

WHEREAS, Cruzan intends to expand its production capacity in order to produce more Rum in the Virgin Islands once the Cruzan Wastewater Treatment Facility is operational; and

WHEREAS, the proposed investments in the Cruzan Facilities are estimated to require expenditures of approximately \$105,000,000; and

WHEREAS, the incentives negotiated between Cruzan and the Government will secure Cruzan’s long-term commitment to produce Rum exclusively on St. Croix.

C. Joint Recitals

WHEREAS the Parties recognize that the Project will have a significant positive impact on the welfare of the St. Croix community, including an increase of rum cover over revenues to the Virgin Islands treasury, creation of additional economic opportunities and revenues for other Virgin Islands industries that will support and otherwise do business with respect to the Project, increased confidence in the Virgin Islands economy, creation of jobs on St. Croix and other benefits, and, therefore, the Government is desirous of facilitating the Project; and

WHEREAS the Parties recognize that the competitive advantage of sugar cane producing countries has disadvantaged Virgin Islands rum and threatens the long-term financial health and viability of rum production in the Virgin Islands;

WHEREAS the completed Cruzan Wastewater Treatment Facility and Cruzan Expansion Facility are projected to generate approximately twice the Cover Over Revenues previously generated from production at the Cruzan Facilities; and

WHEREAS the Parties recognize that the ownership of Cruzan has changed six times over the past 25 years, during which time Cruzan has sustained its presence and commitment to operating its facilities on St. Croix and the Government is desirous of providing an incentive to ownership stability.

NOW, THEREFORE, in consideration of the foregoing recitals, the covenants, representations, warranties, commitments and agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE I

GENERAL PROVISIONS

1.1. Agreement Scope

This Agreement shall become effective and legally bind the Parties upon the full execution hereof and the adoption by the Virgin Islands Legislature of an act ratifying this Agreement and the obligations of the Government contained herein (the "Ratifying Act") (such date, the "Effective Date"). This Agreement sets forth the terms and conditions under which the Government intends to provide inducements to Cruzan to continue and increase its production of Rum for the production of Cruzan Rum and other Branded Rum Products, in the Virgin Islands for sales to markets in the United States of America. These conditions include, but are not limited to, (a) Government-sponsored capital financing of the Project for Cruzan, predicated on long-term rum production, (b) assistance in financing (i) remediation for environmental protection, (ii) Cruzan's long-term commitment to distill on St. Croix, United States Virgin Islands the rum required for the production of Cruzan Rum and other branded rum, for sales to markets in the United States of America, and (iii) its responsibility for the renovations to and expansion and operation of the necessary rum-producing Facilities in St. Croix, and (c) the mutual covenants, representations and warranties in connection therewith. This Agreement includes this document and any exhibits, attachments, schedules or appendices attached hereto or referenced herein all of which are hereby incorporated by reference.

1.2. Government Obligations

In consideration of Cruzan committing to maintaining and expanding its Rum distillation operations exclusively on St. Croix, the Government agrees to fully perform its obligations as set forth in this Agreement. In addition, in order to provide, if necessary, the grant financing contemplated by this Agreement and to perform the other obligations required of it hereunder, the Government shall enter into such additional agreements and/or use best efforts to adopt appropriate legislative or regulatory enactments, as the case may be, as may be necessary to fulfill such obligations. The Government shall not adopt legislation, executive orders, regulations, or enter into an agreement, obligation, legal instrument, or other undertaking which

would materially impair or limit the Government's ability to fully perform its obligations as set forth in this Agreement.

1.3. No Additional Cost to Cruzan

The Government shall fully fund and perform its obligations under this Agreement, and unless specifically otherwise provided herein (or in any subsequent agreement to be executed pursuant hereto), at no time shall Cruzan be responsible for, assume, or be required to incur or pay any cost, charge or expense under this Agreement relating to any obligations of the Government.

1.4. Inducement

The Parties acknowledge that (a) the financing, Tax, production, and marketing incentives granted by the Government hereunder constitute the main inducement for Cruzan to expand its Rum distillation operations and to commit to maintain its distillation operations exclusively on St. Croix, (b) absent such financing, Tax, production and marketing incentives, Cruzan would not commit to a long-term obligation to maintain and to expand its Rum distillation operations exclusively on St. Croix, and (c) Cruzan's development and operation plans with respect to maintaining and expanding its Rum distillation operations exclusively on St. Croix rely on the continued availability of such incentives throughout the Term. The Parties also acknowledge that Cruzan's long-term commitment to exclusively produce Rum for Cruzan Rum and other Branded Rum Products in accordance with the terms of this Agreement constitutes one of the main inducements for the Government to provide the financing, Tax, production and marketing incentives set forth in this Agreement.

1.5. Cruzan Obligations

In consideration of the Government granting the benefits and incentives to Cruzan under this Agreement, which consideration shall be acknowledged by Cruzan upon the full execution, adoption and ratification of this Agreement by the Government and the Virgin Islands Legislature, Cruzan agrees to fully perform its obligations as set forth in this Agreement. In addition, in order to perform such obligations under this Agreement, Cruzan shall enter into such additional agreements as necessary. Cruzan shall not enter, and shall not cause or suffer its Affiliates to enter, into any other contract, agreement, arrangement, undertaking or transaction that would materially impair or limit Cruzan's ability to fully perform its obligations as set forth in this Agreement.

ARTICLE II

DEFINITIONS

2.1. Defined Terms

For purposes of this Agreement, the following terms shall have the meanings set forth below:

“AAA” shall have the meaning specified in Section 8.3.3(c) hereof.

“Affiliate” shall mean, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with, such Person.

“Aggregate Annual Rum Sales” shall mean, for a Fiscal Year, the total of Branded Rum Sales and Bulk Rum Sales (including all Strategic Third-Party Branded Rum Product Sales).

“Agreement” shall have the meaning specified in the preamble and Section 1.1 hereof.

“Annual Average Branded Rum Sales” shall have the meaning specified in Section 6.1.6(c) hereof.

“Annual Average Bulk Rum Sales” shall have the meaning specified in Section 6.1.6(c) hereof.

“Annual Cruzan Surplus Receipts” shall have the meaning specified in Section 6.1.6(b)(iii) hereof.

“Annual Gross Cover Over Receipts” shall have the meaning specified in Section 6.1.5 hereof.

“Annual Gross Cruzan Surplus Receipts” shall have the meaning specified in Section 6.1.5 hereof.

“Annual Payment” shall have the meaning specified in Section 5.4.1 hereof.

“Beam Global” shall mean Beam Global Spirits & Wine, Inc.

“Branded Rum Production Incentive Payments” shall mean the payments made pursuant to Section 5.3.2 hereof.

“Branded Rum Products” shall mean all Rum produced at the Facilities for products ultimately to be sold to consumers in the United States under brand names owned or licensed by Cruzan or its Affiliates, and shall be counted cumulatively toward the incentives provided in this Agreement.

“Branded Rum Sales” shall mean, with respect to any Fiscal Year, the aggregate number of proof gallons of Branded Rum Products subject to federal excise tax sold in the United States during such Fiscal Year and attributable to the Facilities, as reported in the Monthly Cover Over Reports for such Fiscal Year.

“Bulk Rum” shall mean all Rum, other than Branded Rum Products, which are both produced at the Facilities for products ultimately to be sold to consumers in the United States and sold for resale to Persons other than Affiliates of Cruzan (which Bulk Rum includes Strategic Third-Party Branded Products), and shall be counted cumulatively toward the incentives provided in this Agreement.

“Bulk Rum Production Incentive Payments” shall mean the payments made pursuant to Section 5.3.1 hereof.

“Bulk Rum Sales” shall mean, with respect to any Fiscal Year, the aggregate number of proof gallons of all Bulk Rum subject to federal excise tax sold in the United States during such Fiscal Year and attributable to the Facilities, as reported in the Monthly Cover Over Reports for such Fiscal Year.

“Business Day” means any day that is not a Saturday, Sunday or legal holiday in the United States Virgin Islands or a day on which banking institutions organized under the laws of the United States Virgin Islands are legally authorized to close.

“Congress” shall have the meaning set forth in the Government Recitals hereto.

“Cover Over Rate” shall have the meaning specified in Section 6.2.1(a) hereof.

“Cover Over Revenues” shall mean the federal excise tax revenues payable to the Government by the U.S. Government pursuant to Section 7652(b) of the U.S. Internal Revenue Code or any other statute or implementing regulation or other sources of administrative authority which may implement, be substituted or replaced for such Section in the future. For purposes of this Agreement, Cover Over Revenues are deemed to be “payable to the Government” in respect of a Fiscal Year when all Monthly Cover Over Reports in respect of such Fiscal Year have been submitted by TTB to the U.S. Department of the Interior and a copy of each has been received by OMB/VI, and shall be determined without regard to the actual timing of such payment by the U.S. Government. The Cover Over Revenues attributable to any relevant Rum sales (including Aggregate Annual Rum Sales) during any Fiscal Year are determined by multiplying the number of proof gallons of relevant Rum sales by the Cover Over Rate calculated in accordance with Section 7652(b) of the U.S. Internal Revenue Code (or any other statute or implementing regulation or other sources of administrative authority which may implement, be substituted for, or replace such Section in the future) for such Fiscal Year.

“Cruzan” shall have the meaning specified in the introduction to this Agreement.

“Cruzan Distillery” shall have the meaning set forth in the Government Recitals hereto.

“Cruzan Expansion Facility” shall have the meaning set forth in the Government Recitals hereto.

“Cruzan Expansion Project” shall mean the acquisition, planning, design, construction and equipping, as applicable, of the Cruzan Expansion Facility to be financed from proceeds of Cruzan Expansion Project Bonds.

“Cruzan Expansion Project Bonds” shall mean bonds issued to finance the Cruzan Expansion Project.

“Cruzan Project Bond Indenture” shall have the meaning specified in Section 6.1.6(a) hereof.

“Cruzan Project Bonds” shall have the meaning specified in Section 6.1.1 hereof, and shall collectively consist of the Cruzan Wastewater Treatment Project Bonds and the Cruzan Expansion Project Bonds.

“Cruzan Project Pledged Revenue Account” shall have the meaning specified in Section 6.1.6(a) hereof.

“Cruzan Rum” shall mean any Branded Rum Product bearing the name “Cruzan.”

“Cruzan Surplus Receipts Account” shall have the meaning specified in Section 6.1.6(b)(iii) hereof.

“Cruzan Undedicated Cover Over Revenues” shall mean, with respect to any Fiscal Year, the Cover Over Revenues attributable to production of Rum at the Facilities for such Fiscal Year after satisfaction of all debt service obligations with respect to the Cruzan Project Bonds.

“Cruzan Wastewater Treatment Facility” shall have the meaning set forth in the Government Recitals hereto.

“Cruzan Wastewater Treatment Project” shall mean the acquisition, planning, design, construction, soft costs and equipping of a wastewater treatment plant to be financed from proceeds of Cruzan Wastewater Treatment Project Bonds and to be built and operated by Cruzan in order to comply with the terms of the TPDES Permit.

“Cruzan Wastewater Treatment Project Bonds” shall mean those bonds described in Section 6.1.3(a) hereof.

“Debt Service Account” shall mean the account described in Section 6.1.6(b)(i) hereof.

“Debt Service Reserve Account” shall mean the account described in Section 6.1.6(b)(i) hereof.

“Diageo” shall mean Diageo USVI Inc., a corporation duly organized and existing under the laws of the Virgin Islands.

“Diageo Agreement” shall mean the Agreement between Diageo and the Government, dated as of June 17, 2008, as ratified by Act No. 7012 of the Legislature of the Virgin Islands, as the same may be amended and supplemented in accordance with the terms thereof.

“Dispute” shall have the meaning specified in Section 8.3.1 hereof.

“Economic Development Commission” shall be the Virgin Islands Economic Development Commission authorized pursuant to 29 V.I.C. § 704.

“Economic Development Incentives” shall mean those incentives provided by the Government to Cruzan in accordance with Section 4.1 hereof.

“Economic Development Obligations” shall mean those obligations imposed on Cruzan pursuant to Section 4.2 hereof.

“Effective Date” shall have meaning specified in Section 1.1 hereof.

“Environmental Laws” shall mean any applicable statute, ordinance, rule, regulation, code, policy, interpretation, Permit, license, authorization, order, judgment, injunction, decree or case law principle or doctrine relating to pollution, Hazardous Substances, land use, or protection of human health or the environment.

“Estimate Summary” shall have the meaning specified in Section 5.6.1 hereof.

“Estimated Cover Over Revenue Payment” shall mean, with respect to any Fiscal Year, the projected Cover Over Revenues actually paid to the Government by the U.S. Government at the beginning of such Fiscal Year, which payment is referred to as the “base advance” and is subject to subsequent true-up adjustment.

“Estimated Marketing Support Payments” shall mean, with respect to any Fiscal Year, the portion of the Estimated Cover Over Revenue Payment attributable to projected Branded Rum Sales during such Fiscal Year to be paid to Cruzan in accordance with Section 5.1.3(a)(i) hereof on the basis of the Estimate Summary prepared by Cruzan for such Fiscal Year.

“Estimated Molasses Subsidy Payment” shall mean, with respect to any Fiscal Year, the estimated amount of the Molasses Subsidy Payment to be paid to Cruzan in accordance with Section 5.2.1 hereof on the basis of the Estimate Summary prepared by Cruzan for such Fiscal Year.

“Estimated Production Incentive Payment” shall mean, with respect to any Fiscal Year, the portion of the Estimated Cover Over Revenue Payment attributable to the projected Aggregate Annual Rum Sales during such Fiscal Year to be paid to Cruzan in accordance with Section 5.3 hereof on the basis of the Estimate Summary prepared by Cruzan for such Fiscal Year.

“Estimated Rum Promotion Support Payment” shall mean, with respect to any Fiscal Year, the portion of the Estimated Cover Over Revenue Payment attributable to projected Bulk Rum Sales during such Fiscal Year to be paid to Cruzan in accordance with Section 5.1.2 hereof on the basis of the Estimate Summary prepared by Cruzan for such Fiscal Year.

“Estimated Strategic Third-Party Marketing Support Payments” shall mean, with respect to any Fiscal Year, the portion of the Estimated Cover Over Revenue Payment attributable to projected Strategic Third-Party Branded Products Sales to be paid to Cruzan in accordance with Section 5.1.3 hereof on the basis of the Estimate Summary prepared by Cruzan for such Fiscal Year.

“Event of Force Majeure” shall mean any act that (a) materially and adversely affects the affected Party’s ability to perform the relevant obligations under this Agreement or delays such affected Party’s ability to do so, (b) is beyond the reasonable control of the affected Party, (c) is not due to the affected Party’s fault or negligence and (d) could not be avoided, by the Party who suffers it, by the exercise of commercially reasonable efforts, including the expenditure of any reasonable sum of money and, subject to the satisfaction of the conditions set forth in (a) through (d) above, an “Event of Force Majeure” shall include: (i) natural phenomena, such as storms, floods, lightning and earthquakes; (ii) wars, civil disturbances, revolts, insurrections, terrorism, sabotage and threats of sabotage or terrorism; (iii) transportation

disasters, whether by ocean, rail, land or air; (iv) strikes or other labor disputes that are not due to the breach of any labor agreement by the affected Party; (v) fires; (vi) actions or omissions of a Governmental Authority (including the actions of the Government in its capacity as a Governmental Authority or in the exercise of its Governmental Functions), and (vii) the reduction of the Cover Over Rate below its Historic Base Level, that were not voluntarily induced or promoted by the affected Party, or brought about by the breach of its obligations under this Project Agreement or any Governmental Rule. Under no circumstances shall an Event of Force Majeure include any of the following events: (A) economic hardship; (B) changes in market condition, (C) any strike or labor dispute involving the employees of Cruzan or any Affiliate of Cruzan, other than industry or nationwide strikes or labor disputes; (D) the occurrence of any manpower, material or equipment shortages; or (E) any delay, default, or failure (financial or otherwise) of the affected Party that is not the result of an event that would otherwise be an Event of Force Majeure; provided further, that upon the occurrence of any Event of Force Majeure, the affected Party shall promptly notify the unaffected Party and shall use commercially reasonable efforts to mitigate the effects thereof.

“Excess Amount” shall have the meaning specified in Section 5.4.2 hereof.

“Excess Payment Cap” shall have the meaning specified in Section 5.1.3(a)(ii) hereof.

“Facilities” shall have the meaning set forth in the Government’s Recitals hereof.

“Fiscal Year” shall mean the Government’s fiscal year of October 1 through September 30.

“5% Cap” shall have the meaning set forth in Section 5.1.3(a)(i) hereof.

“Fortune” shall mean Fortune Brands, Inc.

“FY 2009 True-Up Payment” shall have the meaning set forth in Section 5.6.5 hereof.

“GERS” shall have the meaning set forth in the Government Recitals hereto.

“Government” shall have the meaning specified in the introduction to this Agreement.

“Government Account” shall have the meaning specified in Section 6.1.6(b)(ii) hereof.

“Governmental Authority” shall mean any Federal, state or local governmental entity, authority or agency, court, tribunal, regulatory commission or other body, whether legislative, judicial or executive (or a combination or permutation thereof) and any arbitrator to whom a dispute has been presented under Governmental Rule, pursuant to the terms of this Agreement or by agreement of the Parties.

“Governmental Function” means any regulatory, legislative, permitting, zoning, enforcement (including police power), licensing or other functions which the Government is authorized or required to perform in its capacity as a Governmental Authority in accordance with Governmental Rules.

“Governmental Rule” shall mean any statute, law, treaty, rule, code, ordinance, regulation, permit, interpretation, certificate or order of any Governmental Authority, or any judgment, decision, decree, injunction, writ, order or like action of any court, arbitrator or other Governmental Authority.

“Hazardous Substances” shall mean any and all pollutants, contaminants, toxic, harmful or hazardous materials, substances or waste, or any other substances that: (a) might pose a hazard to health, safety or the environment; (b) the treatment, decontamination, containment or removal of which may be required; or (c) the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or migration of which is now or hereafter regulated, restricted, prohibited or penalized by any Environmental Law. Hazardous Substances include, without limitation, any substance, material or waste defined, listed or regulated by or in any statute, rule, regulation, Permit or order comprising Environmental Laws, and any other substance, material or waste that is regulated as hazardous, toxic, dangerous, harmful, a pollutant, a contaminant or words of similar meaning, or that because of the nature or characteristics of such substance, material or waste it requires special handling or care to prevent or mitigate a potential threat to human health or the environment.

“Historic Base Level” shall have the meaning specified in Section 6.2.1 hereof.

“Income Tax” shall mean any form of Tax including, without limitation, any alternative minimum tax or any levy, impost, duty, surcharge, contribution in the nature of Tax imposed, collected or assessed by, or payable to a Tax Authority on any income, as defined in the United States Internal Revenue Code as it applies to the Virgin Islands and all penalties and interest included in or related to any Income Tax.

“Issuer” shall have the meaning specified in Section 6.1.1 hereof.

“Marketing Activities” shall have the meaning specified in Section 5.1.1 hereof.

“Marketing Support Agreement” shall mean the Marketing Support Agreement dated as of October 1, 2006, between the Government and Virgin Islands Rum Industries, Ltd., together with any amendments thereto prior to the Effective Date.

“Marketing Support Payments” shall mean the payments made pursuant to Section 5.1.3(a) hereof.

“Matching Fund Bond Indenture” shall mean that certain Indenture of Trust relating to Revenue and Refunding Bonds (Virgin Islands Matching Funds Loan Notes) between the Issuer and the Trustee, dated as of May 1, 1998, as supplemented and amended from time to time.

“Matching Fund Bonds” shall mean those bonds issued from time to time under the Matching Fund Bond Indenture.

“Material Default” shall have the meaning specified in Section 6.2.3 hereof.

“Molasses Subsidy Payments” shall have the meaning specified in Section 5.2.1 hereof.

“Monthly Cover Over Reports” shall mean the report of actual monthly collections of federal excise tax revenues pursuant to Section 7652 of the U.S. Internal Revenue Code or any other statute or implementing regulation or other sources of administrative authority which may implement, be substituted for, or replace such Section in the future, which report is prepared immediately following the end of such month by TTB and submitted to the U.S. Department of the Interior, and a copy of which is delivered to the OMB/VI approximately forty-five (45) days after the end of such month.

“OMB/VI” shall mean the Government’s Office of Management and Budget.

“Party” or **“Parties”** shall have the meaning specified in the introduction to this Agreement.

“Payment Effective Date” shall have the meaning specified in Section 5.5.5 hereof.

“Permits” means all consents, registrations, filings, licenses, permits, certificates, decrees, approvals, authorizations, qualifications, entitlements and orders of Governmental Authorities.

“Person” means any individual or entity (including any corporation, limited partnership, joint venture, limited liability company, estate, trust or other body).

“Production Incentive Payments” shall mean those payments set forth in Section 5.3 hereof.

“Project” shall have the meaning set forth in the Government Recitals hereto.

“Ratifying Act” shall have the meaning specified in Section 1.1 hereof.

“Rum” shall mean alcohol distillate produced from sugar cane molasses, sugar cane juice, or other derivatives of sugar cane.

“Rum Promotion Support Payments” shall mean those payments set forth in Section 5.1.2 hereof.

“Special Escrow Agent” shall have the meaning specified in Section 6.1.6 hereof.

“Special Escrow Agreement” shall have the meaning specified in Section 6.1.6 hereof.

“Strategic Third-Party Branded Products” shall mean Bulk Rum produced at the Facilities to be sold under brands not owned by Cruzan or its Affiliates, which third-party brands are identified on their respective labels as Virgin Islands Rum and approved in writing by the Government as a Strategic Third Party Branded Product, and shall be counted cumulatively toward the incentives provided in this Agreement.

“Strategic Third-Party Branded Rum Product Sales” shall mean with respect to any Fiscal Year, the aggregate number of proof gallons of Strategic Third-Party Branded Products

sold in the United States and subject to federal excise tax during such Fiscal Year and attributable to the Facilities, as reported in the Monthly Cover Over Reports for such Fiscal Year.

“Strategic Third-Party Marketing Support Payments” shall mean those payments set forth in Section 5.1.3(a)(ii) of this Agreement.

“Tax” or **“Taxes”** shall mean any form of tax including alternative minimum tax or any levy, impost, duty, surcharge, contribution or withholding in the nature of tax (including without limitation; Income Tax, capital tax, gross receipts tax, excise tax, customs duties, franchise tax, sales and use tax, personal property tax, value added tax, land or stock transfer tax, mortgage registration tax and real estate tax), imposed, collected or assessed by, or payable to a Tax Authority and all penalties and interest included in or related to any Tax.

“Tax Authority” shall mean any governmental, state or municipality body competent to impose or collect or assess any Tax in the Virgin Islands.

“Term” shall have the meaning set forth in Section 8.15 hereof.

“Territory” shall have the meaning set forth in the Government Recitals hereto.

“TPDES Permit” shall mean Cruzan’s Territorial Pollutant Discharge Elimination System permit.

“True-Up Amount” shall mean, with respect to any Fiscal Year, the amount calculated by subtracting the Estimated Marketing Support Payment, Estimated Molasses Subsidy Payment, Estimated Rum Promotion Payment, Estimated Strategic Third-Party Marketing Support Payments or Estimated Production Incentive Payment, as the case may be, from the applicable Marketing Support Payments, Molasses Subsidy Payments, Rum Promotion Payments, Strategic Third-Party Marketing Support Payments, or Production Incentive Payments actually payable or to be paid for the Fiscal Year in question.

“Trustee” shall mean The Bank of New York Trust Company, N.A., successor to United States Trust Company of New York, as Trustee under the Matching Fund Bond Indenture, or any successor thereto as provided in the Matching Fund Bond Indenture.

“TTB” shall mean the U.S. Alcohol and Tobacco Tax and Trade Bureau.

“VIPFA” and **“Authority”** shall each mean the Virgin Islands Public Finance Authority created and existing pursuant to Title 29, Chapter 15, Virgin Islands Code, or any successor thereto.

“Virgin Islands” shall have the meaning set forth in the Government Recitals hereto.

“Virgin Islands Code” shall mean the laws of the Virgin Islands as from time to time amended.

“Virgin Islands Legislature” shall have the meaning set forth in the Government Recitals hereto.

“**Virgin Islands Rums**” shall have the meaning set forth in the Government Recitals hereto.

“**Virgin Islands Tax Code**” shall mean the mirror United States Internal Revenue Code as applicable to the Virgin Islands and as from time to time amended.

ARTICLE III

IMPROVEMENTS

3.1. Development of the Facilities

3.1.1 Following the occurrence of the Effective Date and the closing of the financing specified in Section 6.1 herein, Cruzan shall

(a) continue its alterations, upgrades, improvements, expansions, or renovations to the Facilities, including, but not limited to, the Cruzan Wastewater Treatment Project and the Cruzan Expansion Project contemplated in Section 6.1.3 herein, required in order for Cruzan to meet its production obligations under this Agreement or otherwise, or such other real property improvements thereon which Cruzan acquires to maintain and expand its production of Rum, as contemplated under this Agreement, to be designed, developed, constructed, equipped and operated in accordance with all applicable laws and regulations, including applicable Environmental Laws; and

(b) comply with all employment laws of the United States and the Virgin Islands during alteration and operation of the Facilities.

3.1.2 It is understood and agreed that Cruzan’s obligations set forth above in Section 3.1.1 are conditioned upon the following (any one or more of which conditions may be waived by Cruzan, at Cruzan’s sole option, without affecting any other condition or obligation of either Party hereunder), it being understood that Cruzan shall use all commercially reasonable efforts to cause such conditions to be satisfied as soon as reasonably practicable:

(a) Cruzan’s ability to timely obtain such Permits as may be necessary to construct, equip and operate the Cruzan Distillery, the Cruzan Expansion Facility or the Wastewater Treatment Facility; or

(b) Cruzan’s ability to receive, without restriction, any Tax credit or marketing support or incentive payments granted by the Government pursuant to this Agreement; or

(c) Cruzan’s ability to obtain the financing for the Cruzan Wastewater Treatment Project and the Cruzan Expansion Project described in Article VI of this Agreement.

3.2. Assistance with Permits

Throughout the Term, the Government shall do all things and take such actions reasonably necessary, to the fullest extent permitted by law, to assist Cruzan (and, where applicable, its contractors and subcontractors), in Cruzan's expeditious filing of all applications for and obtaining, maintaining and renewing all Permits. The Government shall take all feasible and lawful measures necessary to have all Permits issued as soon as is practicable, provided that Cruzan has complied with its obligations set forth in Section 3.1.1(b).

ARTICLE IV

ECONOMIC DEVELOPMENT TAX INCENTIVES AND OBLIGATIONS

4.1. Economic Development Tax Incentives

In addition to any other Tax or development incentives that Cruzan may in the future be eligible to receive, the following Tax and other Economic Development Incentives set forth in this Section 4.1 shall be granted to Cruzan and remain in full force and effect throughout the Term; provided, however, Cruzan, as of the Effective Date, shall agree to terminate its existing benefits under the existing Certificate issued by Economic Development Commission.

4.1.1 Corporate Income Tax Reduction.

(a) For operating income associated with Branded Rum Products or derived from the Facilities and for investment income earned with respect to the Facilities for each taxable year during the Term, Cruzan shall be entitled to: (a) reduce the amount of each payment of its estimated Income Taxes by ninety percent (90%); and (b) reduce its Income Tax liability shown on its Income Tax return by ninety percent (90%). In the case of estimated Income Taxes, such reduction shall be prorated over the quarterly payments due.

(b) The reduction of Income Tax liability on a current basis or the reduction of Income Taxes otherwise payable by Cruzan shall be applicable with respect to all of the computations, assessments, and collection of such Income Taxes, as provided by the Virgin Islands Tax Code including the payment of the estimated Income Taxes.

(c) The payment of all dividends (including payments falling within Sections 881 and 1442 of the Virgin Islands Tax Code as well as dividend equivalent amounts as imposed by Section 884 of the Virgin Islands Tax Code), and interest by Cruzan shall be entitled to, in the case of interest, a 100% exemption from income and withholding tax, and in the case of dividends a 90% exemption from income and withholding tax on the distribution of operating or investment income and a 100% exemption from income and withholding tax on any distribution which Cruzan can identify as being made out of funds received from the Government under Article V of this Agreement.

(d) In determining Cruzan's Income Tax liability for any tax year or part thereof during the Term, the reduction in Income Tax liability and liability to withholding taxes, customs duties, gross receipts taxes, excise taxes and all other Taxes and benefits shall not be treated as taxable income to Cruzan.

(e) In determining Cruzan's Income Tax liability, payments made or exemptions granted under this Section 4.1.1, Section 4.1.2 or Section 4.1.3 and the subsidies provided under Article V of this Agreement by the Government to Cruzan shall not be treated as taxable income to Cruzan.

4.1.2 Other Tax Exemptions.

Cruzan shall be completely exempted from the payment of the following Taxes:

(a) All Taxes on real property or any interest in real property (including all improvements located thereon) to the extent that such property is utilized in connection with the Facilities (which exemption shall inure to the benefit of the ultimate owner of the Facilities as well as to Cruzan), including but not limited to other similar Taxes, assessments, charges, fees, levies, surcharges and contributions made assessed by or paid to any Tax Authority.

(b) Gross receipts taxes.

(c) All excise and similar taxes levied on or in connection with materials and equipment utilized in the Facilities including, but not limited to, raw materials, building materials, furnishings, supplies, tools, pipes, pumps, conveyor belts, appliances, or other equipment, materials, supplies, goods, merchandise, and/or commodities for use in the construction, alteration, expansion, maintenance, reconstruction, and/or operation of the Facilities.

4.1.3 Customs Duty. Notwithstanding anything to the contrary in the laws of the Virgin Islands, raw materials, component parts, machinery and equipment imported into the Virgin Islands by Cruzan for the purpose of producing, creating or assembling an article, good or commodity as a result of industrial or manufacturing processing, such raw materials or, component parts, machinery and equipment shall be subject upon importation into the Virgin Islands, to customs duties (where applicable) at a rate of no more than one percent (1%) or less where such lesser rate is provided by the Virgin Islands Code.

4.1.4 No Adverse Actions.

(a) The Government hereby acknowledges that Cruzan will, from March 1, 2009, be entitled to receive the Tax reductions, exemptions and other benefits granted to Cruzan by the Government and set out in this Agreement without the need for any formal application procedure by Cruzan and that receipt of the above Tax benefits shall be dependent upon the material compliance by Cruzan with the requirements set forth in Section 4.2 hereof. Outside the terms of Section 4.2, there shall be no additional conditions or requirements imposed upon

Cruzan that could result in the suspension, revocation or reduction of such benefits.

(b) The Government hereby agrees and covenants with Cruzan that, except as otherwise provided in this Agreement and to the extent permitted by law, the Government shall not take or fail to take any action, nor permit any action within its control to be taken or fail to be taken, which would or could cause Cruzan to lose any applicable Tax reductions, exemptions or benefits granted to Cruzan pursuant to this Agreement or any extension thereto.

4.2. Economic Development Obligations

4.2.1 Maintenance of Audit Records.

(a) During the Term, Cruzan shall maintain accurate books, records and accounts of the Economic Development Incentives and the Economic Development Obligations granted and/or imposed by this Article in order to assist the Government in the administration of such incentives and obligations and the Government and Cruzan shall cooperate to create a record keeping program reasonably acceptable to both Parties.

(b) When so requested, Cruzan will provide the Government with any information reasonably related to Cruzan's Economic Development Incentives and Economic Development Obligations and supporting documentation. The Government shall have the right, upon reasonable request during the Term, to cause an audit of the books, records, and accounts maintained by Cruzan pursuant to Section 4.2.1(a), to be performed by the V.I. Economic Development Commission, or other agency designated by the Government upon prior written notice to Cruzan. The Government shall be responsible for the costs of such audits and the out-of-pocket expenses of Cruzan directly incurred in connection with such audit; provided, however, if the results of such audit demonstrate that Cruzan has materially failed to comply with the terms of this Section 4.2, Cruzan shall be responsible for the costs of such audit.

4.2.2 Investment by Cruzan.

(a) Subject to the issuance of Cruzan Project Bonds and through its commitment to produce Rum in the Virgin Islands, Cruzan shall determine and cause to be invested in the Project amounts (excluding inventory) sufficient to accomplish the purposes described in Section 6.1.3, it being understood that the amounts financed pursuant to the provisions of Article VI of this Agreement shall qualify as the total amount of such investment.

(b) Cruzan shall employ a minimum of 58 employees. During the Term (i) at least eighty percent (80%) of Cruzan's employees shall be "Residents of the Virgin Islands" as defined in Title 29, Chapter 12, Section 703(e), Virgin Islands Code, and (ii) not less than twenty percent (20%) of Cruzan's employees

who are in management, supervisory and/or technical positions shall be Residents of the Virgin Islands.

(c) Cruzan shall utilize commercially reasonable efforts to contract with suppliers, vendors, contractors and subcontractors in the Virgin Islands for its procurement and construction needs with respect to the Project.

4.2.3 Cruzan shall comply with any and all reasonable requests for information of the V.I. Office of the Governor, Economic Development Commission, Department of Finance, Office of Management and Budget, Department of Labor, Bureau of Internal Revenue, and Bureau of Audit and Control relating to the subject matter of this Agreement.

4.2.4 Cruzan shall comply in a reasonable and substantial manner with all applicable provisions of the Virgin Islands Code and all applicable federal and territorial laws and rules and regulations, including without limitation, those governing non-discrimination, veterans' employment rights, and ecological and environmental standards; provided, however, that in the event of a conflict between the specific terms of this Agreement and the Virgin Islands Code or applicable territorial laws and rules and regulations, the specific terms of this Agreement shall control.

4.2.5 In the event that an audit result indicates that Cruzan is not in substantial compliance with its obligation to produce Rum for sale in the United States as set forth in Section 6.2 hereof and such non-compliance is not due to an Event of Force Majeure the Government may seek to resolve such failure in accordance with the terms of Section 8.3 hereof, possibly resulting in the reduction or elimination of the Economic Development Incentives granted to Cruzan until such time as Cruzan shall resume compliance with its obligations under Section 6.2.

4.3. Benefits Effective Date

The effective date of the Tax exemptions, reductions and benefits described in this Article IV shall be March 1, 2009.

ARTICLE V

MARKETING AND MOLASSES SUBSIDY AND INCENTIVE PAYMENTS

5.1. Marketing Activities and Support Payments

5.1.1 Marketing Activities.

(a) Cruzan shall perform or shall cause one of its Affiliates to perform marketing activities such as specified in Exhibit B (the "Marketing Activities").

(b) Cruzan's Marketing Activities shall now or hereafter be in furtherance of its promotion of Cruzan Rum and Ronrico Rum (or any other

Branded Rum Products utilizing the Rum produced at the Facilities), and when advisable from a marketing viewpoint, Virgin Islands Rums, in the United States.

(c) Cruzan shall regularly report to the Government on the content and effectiveness of the Marketing Activities performed hereunder. The Government shall have the right, at reasonable times and upon reasonable prior notice, to meet with the representatives of Cruzan to discuss the Marketing Activities and its progress in promoting Cruzan Rum, Ronrico Rum and Virgin Islands Rums generally.

5.1.2 Rum Promotion Support Payments. The Government, to support and promote Cruzan's products sales, agrees to make Rum Promotion Support Payments (the "Rum Promotion Support Payments") to Cruzan for sales of Bulk Rum (including Strategic Third-Party Branded Rum Products) as follows:

(a) Bulk Rum Sales:

(i) For the Fiscal Year ending September 30, 2009, the Rum Promotion Support Payments to Cruzan for Bulk Rum Sales will remain unchanged from the prior Fiscal Year.

(ii) Commencing on October 1, 2009, and continuing through March 31, 2012, Rum Promotion Support Payments shall equal 35% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales;

(iii) Commencing on April 1, 2012, and continuing through the remainder of the Term, the Rum Promotion Support Payments to Cruzan shall equal 6% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales if annual Bulk Rum Sales are less than four million proof gallons; provided, however, such Rum Promotion Support Payments shall increase to 7% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales if such sales are between four million and six million proof gallons in any such Fiscal Year; and provided further, that such Rum Promotion Support Payments to Cruzan shall increase to 8% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales if annual Bulk Rum Sales exceed six million proof gallons in any such Fiscal Year. For the purposes of this Section 5.1.2(a)(iii), the threshold quantities of Bulk Rum Sales shall be reduced proportionally if the relevant time period involved is less than a full Fiscal Year.

(iv) During the Term, if it is determined that Diageo and/or any Affiliate of Diageo is selling or has sold in any given year, in the aggregate, at least 500,000 proof gallons of Rum produced at Diageo's St. Croix facility to third-parties for resale under brand names not owned by Diageo and/or its Affiliates, and such sales are or would be detrimental to Bulk Rum Sales, this Agreement will be amended to provide additional incentives to ensure that the incentives provided by the Government to

Cruzan for Bulk Rum are equal on a per proof gallon basis in all respects with the incentives provided to Diageo under the Diageo Agreement for so long as such conditions persist.

(b) Cruzan's estimated range of projections of Bulk Rum Sales (in numbers of proof gallons) under this Agreement (assuming that the Rum Promotion Support Payments are made), for each Fiscal Year covered by the initial Term, are set forth in Exhibit C-1 to this Agreement.

5.1.3 Marketing Support Payments. The Government, to support and promote Cruzan's performance of the Marketing Activities, agrees to make marketing support payments (the "Marketing Support Payments") and Strategic Third-Party Marketing Support Payments to Cruzan as follows:

(a) Branded Rum Sales:

(i) Commencing on the Payment Effective Date, and for each Fiscal Year covered by this Agreement, Marketing Support Payments to Cruzan shall equal 35% of the Annual Gross Cover Over Receipts attributable to Branded Rum Sales; provided, however, that Marketing Support Payments for sales of Cruzan Rum as of the Effective Date shall be capped at 5% of the Annual Gross Cover Over Receipts attributable to sales of such Branded Rum Products through the end of Fiscal Year 2011 (September 30, 2011) (the "5% Cap");

(ii) The accumulated excess Payment Cap amount (calculated in accordance with Section 4(a) of the Marketing Support Agreement) (the "Excess Payment Cap") shall be in effect with respect to the period from the Effective Date through the end of Fiscal Year 2011. To the extent that the 5% Cap operates to lower the Marketing Support Payments that would have been due to Cruzan but for the 5% Cap, the 5% Cap shall be raised on a dollar-for-dollar basis to the extent of availability under the Excess Payment Cap. All remaining unused availability under the Excess Payment Cap will be applied as above to subsequent years of operation of the 5% Cap. All payments due to Cruzan under the Excess Payment Cap shall be deposited directly in the Cruzan Surplus Receipts Account and shall not be applied to the Government Account as otherwise set forth in Section 6.1.6(b)(ii).

(b) Strategic Third-Party Marketing Support Payments. For each Fiscal Year covered by this Agreement, Strategic Third-Party Marketing Support Payments shall be paid to Cruzan, in addition to the Bulk Rum Production Incentive Payments applicable to such products, for the production of Strategic Third-Party Branded Rum Products in an amount equal to 2% of the Annual Gross Cover Over Receipts attributable to Strategic Third-Party Branded Rum Products (the "Strategic Third-Party Marketing Support Payments"); provided, however, that 75% of such support payments shall be passed through Cruzan

and/or its Affiliates to the owners of the respective third-party branded products. Such Strategic Third-Party Marketing Support Payments shall be in addition to, and shall not reduce or count towards any limitations with respect to, the Rum Promotion Support Payments, Marketing Support Payments, Molasses Subsidy Payments, or Production Incentive Payments provided for in this Article V of this Agreement;

(c) Cruzan's estimated range of projections of Aggregate Annual Rum Sales (in numbers of proof gallons) under this Agreement (assuming that the Marketing Support Payments are made), for each Fiscal Year covered by the initial Term, are set forth in Exhibit C-2 to this Agreement.

5.1.4 The Government's payment to Cruzan of Rum Promotion Support Payments, Strategic Third-Party Marketing Support Payments and Marketing Support Payments due hereunder shall be subject only to the deposit of Annual Gross Cover Over Receipts into the Cruzan Project Pledged Revenue Account provided in Section 6.1.6 hereof.

5.2. Molasses Subsidy Payments

5.2.1 The Government, to support and promote the development and operation of the Project and Cruzan's production of Rum at the Facilities, agrees to make molasses subsidy payments (the "Molasses Subsidy Payments") to Cruzan as follows:

(a) Commencing on the Effective Date, and for each Fiscal Year covered by this Agreement, the Molasses Subsidy Payment shall equal the amount to be paid to Cruzan as an industry purchaser of molasses pursuant to the provisions of 33 Virgin Islands Code §3036 (2007), which amount shall never be less than the difference between (a) 16 cents (U.S.) per gallon of molasses purchased by Cruzan for use in the production of Rum at the Facilities, and (b) the total cost per gallon of such molasses to Cruzan.

(b) Notwithstanding Section 5.2.1(a), following the end of the third full Fiscal Year commencing after the Effective Date, the molasses subsidy rate for Rum produced at the Facilities, but not destined for sale in the United States, will be reduced by one-third (i.e., by five and one-third cents (U.S.) per gallon of molasses) for each of the following three Fiscal Years, and shall cease completely at the beginning of the sixth full Fiscal Year commencing after the Effective Date.

5.3. Production Incentive Payments

5.3.1 The Government, to support and promote the continued production of Bulk Rum by Cruzan at the Facilities for sale to the United States market, agrees to make production incentive payments (the "Bulk Rum Production Incentive Payments") to Cruzan for each Fiscal Year covered by this Agreement, beginning with the Fiscal Year ending September 30, 2012, in the amount of 6% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales in respect of such Fiscal Year.

5.3.2 The Government, to support and promote the continued production of Rum by Cruzan at the Facilities to be used in Branded Rum Products, agrees to make production incentive payments (the “Branded Rum Production Incentive Payments”) to Cruzan for each Fiscal Year covered by this Agreement, beginning with the Fiscal Year ending September 30, 2012, in the amount of 6% of the Annual Gross Cover Over Receipts attributable to Branded Rum Sales in respect of such Fiscal Year.

5.4. Restrictions and Other Adjustments to Marketing Support, Molasses Subsidy and Production Incentive Payments

5.4.1 The amount of Marketing Support Payments, Molasses Subsidy Payments, Rum Promotion Support Payments, Strategic Third-Party Marketing Support Payments, and Production Incentive Payments for any Fiscal Year (collectively, for purposes of this Section 5.4, the “Annual Payment”) to be paid to Cruzan shall be payable from and shall not, in the aggregate, exceed the Annual Cruzan Surplus Receipts amount transferred to the Cruzan Surplus Receipts Account. Notwithstanding the foregoing, in no event shall the Annual Payment due to Cruzan in any Fiscal Year be reduced due to a lack of funds available in the Cruzan Surplus Receipts Account because of payments made in respect of principal and interest payable on any outstanding bonds or notes secured by, or to be issued or secured by, the Matching Fund Bond Indenture or any similar instrument, it being understood that, if necessary, such debt service amounts shall be debited first from amounts set forth in Section 6.1.6(b)(ii). If, however, any Annual Payment due to Cruzan is reduced due to such principal and interest payments and lack of funds available from the account set forth in Section 6.1.6(b)(iii) (Cruzan Surplus Receipts Account), then funds available in the accounts set forth in Section 6.1.6(b)(iv) (Government Account) shall be used to fund the Cruzan Surplus Receipts Account such that each Annual Payment will be made in a timely manner. If Annual Payment is still not made in full after application of funds as set forth in the previous sentence, Cruzan shall be reimbursed for such reductions in future years when sufficient funds are deposited into the Cruzan Surplus Receipts Account.

5.4.2 If the amount of the Annual Payment payable to Cruzan for any Fiscal Year exceeds the Annual Cruzan Surplus Receipts, such excess amounts shall be known as the “Excess Amount” and shall be accumulated as a credit for future application. A credit of an Excess Amount shall not require the withholding of any funds by the Government, but shall accrue in accounting ledger form for future application as described below.

5.4.3 The Annual Payment shall consist of the sum of the following components: first the Molasses Subsidy Payments, then the Production Incentive Payments, then the Marketing Support Payments, then the Rum Promotion Support Payments, and finally the Strategic Third-Party Marketing Support Payments. If the Annual Payment is reduced because it would exceed the available Annual Cruzan Surplus Receipts in any Fiscal Year, first the allocation of the Strategic Third-Party Marketing Support Payments as a portion of the Annual Payment shall be reduced, then the Rum Promotion Support Payments, then the Marketing Support Payments, and then, if necessary, the Production Incentive Payments shall be reduced accordingly.

5.4.4 If in any Fiscal Year the calculation of the Annual Payment results in an aggregate amount less than the available Annual Cruzan Surplus Receipts for such Fiscal Year, any Excess Amount carried over from previous Fiscal Years shall be added to such Annual Amount for payment to Cruzan; provided that the Annual Payment (as so increased) to be paid to Cruzan in such Fiscal Year shall not, as a result of such allocation, exceed the available Annual Cruzan Surplus Receipts for such Fiscal Year. Any Excess Amount so allocated shall then be deducted from the running total of Excess Amounts that may have accumulated to that time and the remainder, if any, shall continue to be carried forward.

5.4.5 The Government agrees to levy no Virgin Islands Taxes or other charges on the Marketing Support Payments, Molasses Subsidy Payments, Rum Promotion Support Payments, Strategic Third-Party Marketing Support Payments, and Production Incentive Payments paid to Cruzan in any Fiscal Year.

5.4.6 Notwithstanding Sections 5.1, 5.2 and 5.3 hereof, the total amount of the Annual Payment due to be paid to Cruzan in any Fiscal Year shall not exceed the Annual Gross Cover Over Receipts less the amounts as set forth in Sections 6.1.6(b)(i) and 6.1.6(b)(ii) below.

5.5. Payment Procedure and Timing

5.5.1 Annually, on a date to be agreed by the Government and Cruzan, Cruzan shall deliver to the Government a written report of its estimated Aggregate Annual Rum Sales for the current and next succeeding Fiscal Year. At such time, Cruzan shall also deliver to the Government a summary of the Estimated Marketing Support Payment, Estimated Molasses Subsidy Payment, Estimated Strategic Third-Party Marketing Support Payment, Estimated Rum Promotion Support Payment, and Estimated Production Incentive Payment projected to be payable to Cruzan in respect of such Fiscal Year based on the projected Aggregate Annual Rum Sales noted above. Such notice to the Government shall be known as the "Estimate Summary".

5.5.2 After receipt of Cruzan's Estimate Summary, the Government shall deliver its Estimated Cover Over Revenue Payment request to the U.S. Government.

5.5.3 Upon receipt of any Estimated Cover Over Revenue Payment for any Fiscal Year, the Government shall cause the Estimated Marketing Support Payment, Estimated Molasses Subsidy Payment, the Estimated Rum Promotion Support Payment, the Estimated Strategic Third-Party Marketing Support Payments, and the Estimated Production Incentive Payment to be paid to Cruzan by depositing the same in a segregated account to be established for such purpose within two (2) Business Days of the Government's receipt thereof and distributing it to Cruzan within five (5) days after such deposit.

5.5.4

(a) Except as otherwise provided in Section 5.5.5 with respect to the Fiscal Year ending on September 30, 2009, following the OMB/VI's receipt of

the Monthly Cover Over Report for September of each Fiscal Year, the Government and Cruzan shall calculate (I) Aggregate Annual Rum Sales, (II) Marketing Support Payments, (III) Molasses Subsidy Payments, (IV) Production Incentive Payments, (V) Rum Promotion Support Payments, (VI) Strategic Third-Party Marketing Support Payments and (VII) the True-Up Amount, in respect of such Fiscal Year.

(b) Payment of the True-Up Amount for a Fiscal Year shall be made to Cruzan or the Government, as the case may be, as an adjustment to the Estimated Marketing Support Payments, as calculated by the Government and Cruzan, during each subsequent Fiscal Year, as a cash payment to Cruzan or the Government, as the case may be, to be made no later than November 30 of the subsequent Fiscal Year.

5.5.5 Except as otherwise expressly provided in this Agreement, the payments provided for in this Article V shall become effective as of March 1, 2009 the ("Payment Effective Date"). The Government and Cruzan shall calculate (I) Aggregate Annual Rum Sales, (II) Marketing Support Payments, (III) Molasses Subsidy Payments, (IV) Production Incentive Payments, (V) Rum Promotion Support Payments, (VI) Strategic Third-Party Marketing Support Payments and (VII) and true-up amount to be paid in excess of payments already made under the Marketing Support Agreement, in respect of the period from January 1, 2009, through September 30, 2009 (the "FY 2009 True-Up Payment"). The FY 2009 True-Up Payment will be made by the Government to Cruzan no later than November 30, 2009.

ARTICLE VI

PROJECT FINANCING

6.1. Financing Structure

6.1.1 The parties hereto acknowledge and agree that all amounts due and payable under this Agreement shall be subject and subordinate to the lien created under the Matching Fund Bond Indenture. In consideration of the undertaking by Cruzan to continue to produce Rum at the Facilities and to further develop, and continue to own and operate the Facilities as and to the extent provided in this Agreement, the Government agrees, unless otherwise advised by Cruzan, following the Effective Date and such other conditions to be agreed between the Government and Cruzan, to facilitate the 100% grant financing for the benefit of the Facilities through the issuance of one or more series of tax-exempt bonds (the "Cruzan Project Bonds") to be issued by the VIPFA, as the "Issuer", pursuant to the Cruzan Project Bond Indenture (as the same may be supplemented from time to time), the proceeds of which Cruzan Project Bonds shall be used exclusively for the payment of the renovation and improvement, construction, and soft costs relating to the Project and Cruzan working capital funding in connection with the development and construction of the Project (whether such costs are incurred prior to or after the issuance of the Cruzan Project Bonds) and shall be requisitioned by Cruzan in substantially similar form as currently required under the Matching Fund Bond Indenture.

The Cruzan Project Bonds will be repaid from the Cover Over Revenues attributable to the operation of the Facilities, except as may otherwise be provided in the Cruzan Project Bond Indenture or other documents relating thereto. The Government shall fully fund and perform its obligations under this Agreement, and, unless otherwise specifically provided herein (or in any subsequent agreement to be executed pursuant hereto), at no time shall Cruzan be responsible for, assume, or be required to incur or pay any cost, charge or expense under this Agreement relating to any obligations of the Government.

6.1.2 The proceeds of the Cruzan Project Bonds shall be held by the trustee under the Cruzan Project Bond Indenture in a segregated construction trust account, to be invested and disbursed as required and directed by Cruzan in connection with the development, renovation, expansion, construction, soft cost and working capital funding needs of Cruzan in relation to the Project and the Facilities. Any Cruzan Project Bonds proceeds not used for such purposes shall be used for the redemption or defeasance of the Cruzan Project Bonds following completion of construction and full operation of the Project.

6.1.3 It is currently anticipated that the Issuer will issue the following series of Cruzan Project Bonds, payable from a lien on Cover Over Revenues attributable to the Facilities:

(a) Approximately US \$30 million Cruzan Project Bonds, to be used for acquisition, renovation, improvement, development, construction and soft costs attributable to the construction and installation of the Cruzan Wastewater Treatment Facility and capitalized interest, reserves and costs of issuance thereof (the "Cruzan Wastewater Treatment Project Bonds"); and

(b) Approximately US \$75 million Cruzan Project Bonds, to be used for acquisition, renovation, improvement development, construction and soft costs attributable to the Cruzan Distillery and the Cruzan Expansion Facility and capitalized interest, reserves and costs of issuance thereof (the "Cruzan Expansion Project Bonds").

6.1.4 The Government agrees to cause the supplementing of the Matching Fund Bond Indenture to modify the additional bonds test controlling the issuance of future Matching Fund Bonds in a manner that will limit the commitment of future Cruzan Undedicated Cover Over Revenues so as to not encumber such Cruzan Undedicated Cover Over Revenues which might, at any time, be required to be paid to Cruzan pursuant to Article V or Section 6.1.6(b) of this Agreement.

6.1.5 The Cruzan Project Bonds shall have a term not to exceed thirty (30) years from the date of issuance of any series of Cruzan Project Bonds. Except as otherwise provided herein, the Cruzan Project Bonds shall not be secured by any source other than the Cover Over Revenues attributable to the operation of the Facilities in any Fiscal Year ("Annual Gross Cover Over Receipts"), to be transferred to the Government pursuant to Section 5.01(b)(9) of the Matching Fund Bond Indenture (the "Annual Gross Cruzan Surplus Receipts"), except as otherwise provided in the Cruzan Project Bond

Indenture, and shall be subordinate to the outstanding Matching Fund Bonds. For the avoidance of doubt, none of Cruzan, its Affiliates or Fortune (or any of its Affiliates) will be obligors with respect to the Cruzan Project Bonds, and none of their respective assets will be encumbered by such bonds or under the Cruzan Project Bond Indenture.

6.1.6 Within 5 days of the Effective Date, the Government and the Authority shall provide irrevocable directions to The Bank of New York Mellon Trust Company, N.A., or its successor, as Special Escrow Agent (the “Special Escrow Agent”) under the Special Escrow Agreement, dated as of May 1, 1998, as amended and supplemented (the “Special Escrow Agreement”) to establish and maintain for the Term the Cruzan Project Pledged Revenue Account, Debt Service Account and related Debt Service Reserve Account, Government Account, and Cruzan Surplus Receipts Account; provided, however, that prior to the issuance of any Cruzan Project Bonds or after payment in full of all outstanding Cruzan Project Bonds and the termination of the Cruzan Project Bond Indenture, the Parties shall establish and maintain, or cause the establishment and maintenance of, such further accounts as shall be necessary to carry out the terms of this Agreement. In addition to the other documentation required to facilitate the issuance of the Cruzan Project Bonds (all such documentation to be agreed in form and substance by the Government and Cruzan), the Parties shall also agree on the form and substance of the documentation evidencing the following:

(a) Pursuant to the Cruzan Project Bond Indenture to be executed in connection with the issuance of the Cruzan Project Bonds, which may be in substantially similar form of the Matching Fund Bond Indenture or may be in the form of a supplement thereto or in such other form of indenture as determined by the VIPFA (the “Cruzan Project Bond Indenture”), all Annual Gross Cover Over Receipts shall be deposited into an appropriate account and pledged as security for the Cruzan Project Bonds (the “Cruzan Project Pledged Revenue Account”).

(b) Pursuant to the Cruzan Project Bond Indenture, the trustee thereunder shall deposit the following amounts into the following accounts from amounts on deposit in the Cruzan Project Pledged Revenue Account:

(i) first, to a Debt Service Account and related Debt Service Reserve Account, if necessary, such amounts as shall be required under the Cruzan Project Bond Indenture to pay or reserve for the principal, interest and other financing costs payable in respect of the Cruzan Project Bonds;

(ii) then, to an account designated by the Government (the “Government Account”), according to the following schedule:

(A) October 1, 2009, through September 30, 2010, an amount equal to 60% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales (excluding Strategic Third-Party Branded Rum Product Sales) for such period;

(B) October 1, 2010, through March 31, 2012, an amount equal to 68.5% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales (excluding Strategic Third-Party Branded Rum Product Sales) for such period;

(C) (x) commencing on April 1, 2012, and continuing through the Term, an amount equal to 82% of the Annual Gross Cover Over Receipts attributable to Bulk Rum Sales (excluding Strategic Third-Party Branded Rum Product Sales) for each such Fiscal Year; (y) provided, however, that this amount shall decrease to 80% when Bulk Rum Sales for any Fiscal Year exceeds five million proof gallons; (z) provided further, that this amount shall decrease to 78% when Bulk Rum Sales for any Fiscal Year exceeds seven million proof gallons;

(D) commencing October 1, 2009, through September 30, 2010, an amount equal to 58% of the Annual Gross Cover Over Receipts attributable to Strategic Third-Party Branded Rum Product Sales for such period;

(E) commencing October 1, 2010, through March 31, 2012, an amount equal to 66.5% of the Annual Gross Cover Over Receipts attributable to Strategic Third-Party Branded Rum Product Sales for such period;

(F) (x) commencing in April 1, 2012, and continuing through the Term, an amount equal to 80% of the Annual Gross Cover Over Receipts attributable to Strategic Third-Party Branded Rum Product Sales for each such Fiscal Year; (y) provided, however, that this amount shall decrease to 78% when Bulk Rum Sales for any Fiscal Year exceeds five million proof gallons; (z) provided further, that this amount shall decrease to 76% when Bulk Rum Sales for any Fiscal Year exceeds seven million proof gallons;

(G) commencing effective the Payment Effective Date through Fiscal Year 2011, an amount equal to 60% of the Annual Gross Cover Over Receipts attributable to Branded Rum Sales for such period;

(H) (x) commencing October 1, 2011, and continuing through the Term, an amount equal to 60% of the Annual Gross Cover Over Receipts attributable to Branded Rum Sales for each such Fiscal Year; (y) provided, however, that this amount shall decrease to 54% when Branded Rum Sales for any Fiscal Year exceeds eleven million proof gallons

(iii) then, to an account to be known as the “Cruzan Surplus Receipts Account”, an amount equal to the Annual Gross Cover Over Receipts less the amounts due to be deposited into other accounts pursuant to Sections 6.1.6(b)(i) and (ii) above, which amount shall be known as the “Annual Cruzan Surplus Receipts” and shall be used to make the payments to Cruzan, required pursuant to Sections 5.1, 5.2, 5.3, 5.4, and 5.5 hereof.

(iv) then any amounts remaining in the Cruzan Project Pledged Revenue Account shall be deposited to the Government Account as directed by the Government.

Notwithstanding the above, prior to the issuance of any Cruzan Project Bonds and the Cruzan Project Bond Indenture, or, upon payment in full of all outstanding Cruzan Project Bonds and the termination of the Cruzan Project Bond Indenture, the Government and the Authority shall provide irrevocable directions to the Special Escrow Agent to deposit the Annual Gross Cover Over Receipts into the accounts in the order and the amounts as set forth above. Notwithstanding any other provision of this Agreement, in the event of a change to the Cruzan Project Bond Indenture, Special Escrow Agent or Special Escrow Agreement or other circumstance that precludes the implementation of this Section 6.1.6(b), the Parties agree to do all things and take all actions required, necessary or appropriate to assure each Party’s receipt of the economic benefits provided to such Party under the terms of this Agreement.

(c) For any partial Fiscal Year under this Agreement or in any Fiscal Year in which an Event of Force Majeure has interrupted the sale or production of Rum for Bulk Rum and Branded Rum Products, for the purpose of determining which of the percentages in Section 6.1.6(b)(ii) shall apply to such Fiscal Year or partial Fiscal Year, the respective Bulk Rum Sales and Branded Rum Sales for each month during which the Facilities were in operation during such Fiscal Year shall be averaged and such average shall be multiplied by twelve (12) and the result shall be known as the “Annual Average Bulk Rum Sales” and “Annual Average Branded Rum Sales”. If the Annual Average Bulk Rum Sales are less than 5,000,000 proof gallons, the percentages in Sections 6.1.6(b)(ii)(C)(x) and 6.1.6(b)(ii)(F)(x) shall apply. If the Annual Average Bulk Rum Sales exceed 5,000,000 proof gallons, the applicable percentage in Section 6.1.6(b)(ii)(C)(y) or (z) and 6.1.6(b)(ii)(F)(y) or (z), respectively, shall apply. If the Annual Average Branded Rum Sales are less than 11,000,000 proof gallons, the percentage in Sections 6.1.6(b)(ii)(H)(x) shall apply. If the Annual Average Branded Rum Sales exceed 11,000,000 proof gallons, the percentage in Section 6.1.6(b)(ii)(H)(y) shall apply.

6.2. Cruzan Obligations

6.2.1 Commencing on the Effective Date, and continuing through the Term hereof, and provided that (i) the Cover Over Revenue tax amount determined in accordance with Section 7652(b) of the U.S. Internal Revenue Code (the “Cover Over Rate”) is not reduced below its historic base level of US \$10.50 per proof gallon of

relevant Rum sales with respect to Aggregate Rum Sales (the “Historic Base Level”), (ii) the Economic Development Incentives granted by the Government to Cruzan have not been materially reduced or made unavailable to Cruzan, (iii) no occurrence of an Event of Force Majeure with respect to the performance of the obligations of either Party hereunder has occurred, and (iv) the requirements of the named branded products do not exceed the capacity of the Facilities, Cruzan shall distill at the Facilities all Bulk Rum, Branded Rum Products and Ronrico Rum for sale into the United States. If the requirements of the named branded products exceed the production capacity of the Facilities by more than 15%, Cruzan and the Government will work together to investigate the feasibility of expanding the production capabilities of the Facilities.

6.2.2 If at any time the Cover Over Rate is reduced below the Historic Base Level for a period greater than twelve (12) months or the Economic Development Incentives granted by the Government to Cruzan are materially reduced or unavailable to Cruzan for a period of greater than twelve (12) months, Cruzan shall not be obligated to produce Rum at the Facilities according to the provisions of this Agreement, and may terminate this Agreement.

6.2.3 Except as otherwise permitted by this Agreement or following an Event of Force Majeure, if Cruzan fails to produce Rum for sale into the United States from the Facilities in accordance with Sections 6.2.1 (subject to the terms and conditions therein), Cruzan shall be considered to be in material default of its obligations under this Agreement (a “Material Default”) and shall have 12 months following receipt of notice of such Material Default to cure such Material Default by producing the required Rum for sale into the United States. If Cruzan fails to cure such Material Default, Cruzan shall pay to the Government liquidated damages in an amount specified in a schedule to be produced by the Parties at the time of sale of any series of Cruzan Project Bonds. The liquidated damages shall be the amount necessary to reimburse the Government for the costs of the principal, interest and redemption premium if any, due and payable under the grant financing made available to Cruzan by the Authority, on behalf of the Government, due to the occurrence and continuation of a Material Default by Cruzan under this Agreement. Following the occurrence and continuance of a Material Default for a twelve (12) month period, the Government may terminate this Agreement with prior written notice to Cruzan.

6.2.4 If Cruzan decides to forgo the grant financing proposed by Section 6.1 and procures alternative financing in lieu thereof, the Parties agree to amend this Agreement if, and as necessary to, reasonably preserve the economic and other benefits contemplated by the Parties in Articles III, IV, and V hereof and the receipt of amounts which would otherwise be deposited to the Cruzan Project Pledged Revenue Account for the benefit of the Government and Cruzan as set forth in Section 6.1.6(b) of this Agreement.

6.2.5 Upon the issuance of the Cruzan Project Bonds and throughout the Term, Cruzan agrees to maintain or cause to be maintained commercially reasonable insurance against such risks, loss, and damage either as part of the global insurance program for the portfolio of facilities operated by Fortune or on a stand-alone basis, at the

discretion of Fortune. THE GOVERNMENT DOES NOT IN ANY WAY REPRESENT THAT THE INSURANCE SPECIFIED HEREIN, WHETHER IN SCOPE OR COVERAGE OR LIMITS OF COVERAGE, IS ADEQUATE OR SUFFICIENT TO PROTECT THE BUSINESS OR INTEREST OF CRUZAN.

6.2.6 During the period of time in which the Cruzan Project Bonds remain outstanding or undefeased, following the occurrence of an event of loss at or damage to the Facilities resulting in a commercially significant reduction in the output of Rum that can be produced at the Facilities and that is caused by an event that is insurable at the time of the occurrence of the event at commercially reasonable rates, Cruzan agrees to rebuild the Facilities and re-commence production of Rum at the Facilities as soon as reasonably possible after the occurrence of such event of loss at the levels of production required by this Agreement. If Cruzan fails to so rebuild the Facilities and so re-commence production of Rum at the Facilities, such failure shall be deemed a Material Default and the Government may take the actions specified above in Section 6.2.3.

6.2.7 Cruzan further agrees that, subject to the issuance of the Cruzan Project Bonds, it will explore further expansion for other product lines and opportunities; and implement of enhancements to the Facilities that are consistent with the development of a tourist attraction.

ARTICLE VII

REPRESENTATIONS, WARRANTIES, COVENANTS AND ACKNOWLEDGEMENTS

7.1. Representations, Warranties, Remedies and Acknowledgements

7.1.1 The Government hereby represents and warrants to Cruzan as of the date hereof and as of the Effective Date that:

(a) The Government is not prohibited from consummating the transactions contemplated in this Agreement by any law, regulation, agreement, instrument, restriction, order or judgment;

(b) The Government has: (i) the legal power, due authority and necessary and adequate funding ability to make the representations and perform its obligations set forth in this Agreement, or shall take all legally permitted and feasible actions necessary to obtain such legal power, due authority and necessary funding; (ii) duly obtained such approvals, authorizations, or consents in accordance with applicable law and procedures to the extent that the approval, authorization, or consent of the federal or any other local government or agency or any third party to make the representations and perform its obligations contained herein is required; and (iii) with respect to the funding commitments made by the Government hereunder, such funding commitment has been, or on or prior to the date of issuance and disbursement of any proceeds thereof, and throughout the period that the same is outstanding, shall be properly budgeted and authorized pursuant to all applicable law;

(c) The Government knows of no material impediment which would prevent, impede, diminish or delay its timely performance of its obligations hereunder; and

(d) There are no actions, suits or proceedings pending or, to the best of the Government's knowledge, threatened against or affecting the Government before any court or administrative body or arbitral tribunal that could reasonably be expected to have a material adverse effect on the ability of the Government to meet and carry out its obligations under this Agreement.

7.1.2 Cruzan hereby represents and warrants to the Government as of the date hereof and the Effective Date that:

(a) Cruzan is a corporation duly organized and validly existing under the laws of the Virgin Islands and has the corporate power and authority and has taken all necessary action authorizing it, to execute and deliver this Agreement and to perform its obligations hereunder.

(b) The execution, delivery and performance by Cruzan of this Agreement do not violate or conflict with, or result in a default under, any contract or agreement to which Cruzan is bound.

(c) Assuming due authorization, execution and delivery of this Agreement by the Government, this Agreement is the legal, valid and binding obligation of Cruzan, enforceable against it in accordance with its terms, subject to the effects of bankruptcy or insolvency or laws affecting creditors' rights generally.

(d) There are no actions, suits or proceedings pending or, to the best of Cruzan's knowledge, threatened against or affecting Cruzan before any court or administrative body or arbitral tribunal that could reasonably be expected to have a material adverse effect on the ability of Cruzan to meet and carry out its obligations under this Agreement.

(e) Neither Cruzan nor any of its shareholders or Affiliates of Cruzan are involved in any litigation, arbitration or claim against the Government, except for claims arising in the ordinary course of Cruzan's business, including pursuant to the Marketing Support Agreement.

(f) Cruzan is a wholly owned subsidiary of Beam Global, which in turn is a wholly owned subsidiary of Fortune.

7.2. **Special Levies**

The Government covenants that, without the prior written consent of Cruzan, no Government entity shall: (a) levy against any real or personal property constituting the Facilities, any special assessment or special tax for the cost of any improvements in or for the benefit of the Facilities; (b) undertake any local improvements in, on or for the benefit of the

Facilities pursuant to the imposition of a special assessment or special tax against any real or personal property within the Facilities; (c) levy or impose additional Taxes on any real or personal property within the Facilities, in the manner provided by law for the provision of special services to the Facilities or for the payment of debt incurred in order to provide such special services; (d) permit or approve the imposition of any recapture fees that are applicable to the Facilities or (e) levy against any moveable personal property any Tax, including but not limited to personal property, sales or value added taxes. Nothing in this Section 7.2 shall prevent the Government from levying or imposing additional Taxes upon the Facilities in the manner provided by law which are applicable to and applied equally to all other properties within the Virgin Islands and which are not contrary to the agreements reached herein as implemented from time to time.

7.3. Make-Whole Actions

7.3.1 The Government and Cruzan each assert that it enters into this Agreement based upon certain objectives and expectations, more specifically described below in this Section 7.3. The Government and Cruzan each further acknowledge and agree that it is not possible to predict, consider and provide for all future changes, circumstances or contingencies affecting the performance or implementation of this Agreement. Therefore, in order to preserve the basis upon which this Agreement is entered into by the Government and Cruzan, the Government and Cruzan each agree to the terms and conditions set forth in this Section 7.3.

7.3.2 The Government acknowledges and agrees that Cruzan has entered into this Agreement in material reliance on each and all of the obligations and commitments of the Government under this Agreement, as a package and without exception, with the reasonable expectation that Cruzan will receive all of the benefits of such obligations and commitments, including, without limitation, receipt of benefits in the form of the Marketing Support Payments, Molasses Subsidy Payments, Rum Promotion Payments, Strategic Third-Party Marketing Support Payments, and Production Incentive Payments described in Article V of this Agreement.

7.3.3 The Government and Cruzan each further agree and acknowledge that it is not possible to predict, consider or provide for all future changes, circumstances or contingencies affecting the performance or implementation of this Agreement. Therefore, the Government represents, warrants and covenants to Cruzan that in the event of a change in law, or any other act, event or circumstance, the result of which would be to diminish, impede, impair or prevent in connection with the Facilities the full performance after the Effective Date of any or all of the obligations and commitments made by the Government, the Government shall exercise its best efforts to, and to the extent permitted by law shall, provide Cruzan either with an exemption from the law as so changed or otherwise with another obligation or commitment reasonably acceptable to Cruzan and having economic effect equivalent to the commitment so lessened or removed. If the Government fails to provide such exemption or other commitment, such failure shall be an impairment of this Agreement. In furtherance of the foregoing, in the event that Cover Over Revenues attributable to the Facilities are for any reason received by the Government but are not available to satisfy the Government's payment obligations

to Cruzan hereunder, the Government agrees to fund such obligations from other sources to the extent permitted by law.

7.3.4 The Government agrees to use reasonable efforts to strenuously oppose any proposed legislation, initiative, act, event, plan or proposal which would otherwise have the effect of voiding or reducing any of the obligations or commitments as set forth in this Agreement. To the extent an initiative would negatively impact the full performance after the Effective Date of any or all of the obligations or commitments made by the Government, the Government shall take all legally appropriate steps to defend the obligations and commitments contained herein.

7.3.5 Cruzan acknowledges and agrees that the Government has entered into this Agreement in material reliance on each and all of the obligations and commitments of Cruzan under this Agreement, as a package and without exception, with the reasonable expectation that the Government will receive all the benefits contemplated to inure to it under the terms of this Agreement.

7.3.6 The Government and Cruzan each acknowledge and agree that: (a) the objectives and expectations set forth in this Section 7.3 are reasonable; (b) the commitments and obligations set forth in this Section 7.3 are intended to be continuous throughout the duration of this Agreement and (c) that the terms and conditions set forth in this Section 7.3 are material to this Agreement and intended to be enforced to the maximum extent possible.

7.4. Acknowledgements

The Government and Cruzan agree and acknowledge that:

7.4.1 Cruzan would not have considered making renovations and capital improvements to and expansion of the Facilities in St. Croix without the obligations and commitments to be provided by the Government hereunder for the entire period for which such obligations and commitments are to be made available during the Term.

7.4.2 The Government would not have considered granting the benefits and exemptions to be provided to Cruzan under the terms of this Agreement without the obligations and commitments to be provided by Cruzan as set forth in this Agreement.

7.4.3 The Parties will exercise their best efforts and take all actions to fulfill and maintain the obligations and commitments that they have made for the specific period referenced herein.

7.4.4 The Government will not pledge, encumber or otherwise restrict the Annual Gross Cover Over Receipts attributable to the Facilities in any manner that will prevent the Government from paying the Marketing Support Payments, Molasses Subsidy Payments, Rum Promotion Payments, Strategic Third-Party Marketing Support Payments, and Production Incentive Payments and performing its other obligations and commitments described herein.

7.4.5 Cruzan has relied upon the continued performance of the Government's obligations and commitments for their specified duration in connection with its decision to improve, renovate, and expand the Facilities.

7.4.6 This Agreement has been the subject of arm's-length negotiations between Cruzan and the Government and it is the intent of the Parties that this Agreement constitutes an enforceable contract.

7.5. Negative Covenants

Without the prior written consent of Cruzan, the Government, to the extent permitted by law, shall not take, approve, assist or allow any action, or fail to take, approve, assist or allow any action, if such action or failure to act, as the case may be, is reasonably likely to adversely affect, diminish or impair the beneficial use, operation, utility or occupancy of the Facilities or the ability of Cruzan to beneficially use, occupy, obtain, receive or otherwise enjoy any of: (i) the physical sites, facilities, improvements, programs, financial incentives or other benefits existing as of the Effective Date and contemplated by any portion of this Agreement, or (ii) the obligations or other commitments of the Government contemplated by, or set forth in, this Agreement. In addition, and without limitation, the Government specifically agrees that subject to the terms of the existing Matching Fund Bond Indenture and the Cruzan Project Bond Indenture, it shall not encumber any of the Annual Gross Cover Over Receipts that are intended to finance the Marketing Support Payments, Molasses Subsidy Payments, Rum Promotion Payments, Strategic Third-Party Marketing Support Payments, and Production Incentive Payments to Cruzan either through the issuance of Additional Bonds (as such term is defined in the Matching Fund Bond Indenture) based on such additional revenues or otherwise.

7.6. Remedies

7.6.1 The Parties expressly agree and recognize that, with respect to breach of certain of the covenants, agreements, representations, warranties or commitments contained herein, the Parties may not be fairly or adequately compensated by any legal remedy in an action for monetary damages. Therefore, the Parties agree that upon a breach of this Agreement, the non-defaulting party, in accordance with the dispute resolution procedures set forth in Section 8.3 hereof, may seek the specific performance of any of the covenants, agreements, representations, warranties or commitments contained herein or may be awarded damages for failure of performance or breach of any representation or warranty, or both, to the extent permitted by applicable law. No action taken by such Party pursuant to the provisions of this Section 7.6 or pursuant to the provisions of any other Section of this Agreement shall be deemed to constitute an election of remedies, and all remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to the Parties at law or in equity. Notwithstanding the foregoing, the sole remedy of the Government for the continued occurrence of a Material Default (as defined in Section 6.2.3) shall be the receipt of the liquidated damages payment and termination right referred to in Section 6.2.3. The Government may not terminate this Agreement for any default other than a Material Default.

7.6.2 No claim may be made by one Party against the other Party for any special, indirect, consequential, incidental or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or relating to this Agreement or the development, construction or operation of the Project or any act, omission or event occurring in connection therewith and the Parties hereby waive, release and agree not to sue upon any claim for such damages.

7.6.3 In the event that Cruzan abandons the Facilities, prior to the issuance of any of the Cruzan Project Bonds, in breach of its obligations under this Agreement and provided that the Government has complied with its obligations under this Agreement, the Parties agree that the amount of the damages to be incurred by the Government may be difficult or impossible to determine and therefore the Parties agree that Cruzan shall pay to the Government an amount equal to US \$7.5 million as liquidated damages for such failure to perform its obligations hereunder.

ARTICLE VIII

MISCELLANEOUS

8.1. Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

8.2. Governing Law

The governing law of this Agreement shall be the law of the Territory of the United States Virgin Islands.

8.3. Dispute Resolution

8.3.1 Mutual Discussions. Except as otherwise provided in this Section 8.3, if a dispute or difference of any kind whatsoever shall arise among the Parties in connection with, relating to or arising out of this Agreement (each, a "Dispute"), one of such Parties shall notify the other of such Dispute. Such Parties shall attempt to settle such Dispute in the first instance by mutual discussions between their respective designated representatives. Failing such resolution, a senior representative of the Government and the President of Cruzan (or their duly appointed representatives) shall meet to resolve such Dispute and the joint decision of such individuals shall be binding upon the Parties hereto. If a settlement of any such Dispute or difference is not reached pursuant to this Section 8.3.1 within 60 days after such notice of Dispute is delivered, then the provisions of Section 8.3.2 hereof shall apply.

8.3.2 Mediation. If a settlement of any such Dispute or difference is not reached pursuant to Section 8.3.1, the Parties agree to submit the matter to mediation. The process for mediation shall be governed by the procedures set forth in Rule 3.2 of the Local Rules of the District Court of the Virgin Islands.

8.3.3 Judicial Resolution.

(a) If the settlement of any Dispute or difference (other than those addressed in Section 8.3.3(b) below) is not reached pursuant to Sections 8.3.1 or 8.3.2 above, then either party may initiate a lawsuit including but not limited to a lawsuit for breach of contract for damages, subject to the restrictions set forth in Section 7.6.2 hereof, in a court of competent jurisdiction in the Virgin Islands. The Parties agree and hereby waive any right to a jury trial, and such proceeding, should it proceed to trial, shall be a bench trial.

(b) If the settlement of any Dispute or difference related to the applicability or payment of liquidated damages under this Agreement by Cruzan (other than liquidated damages payable pursuant to Section 7.6.3 which dispute resolution process shall be governed by Section 8.3.3(a) above) is not reached pursuant to Sections 8.3.1 or 8.3.2 above, then either Party may initiate a proceeding for the adjudication of such Dispute, subject to the restrictions set forth in Section 7.6.2 hereof, in the United States District Court of the Virgin Islands. If the United States District Court of the Virgin Islands or the Third Circuit Court of the United States refuses for any reason to adjudicate such Dispute, the Parties agree that the provisions of Section 8.3.3(c) shall apply.

(c) If a Dispute cannot be settled pursuant to Section 8.3.3(b) above, such Dispute shall be determined by arbitration administered by the American Arbitration Association (“AAA”). The number of arbitrators shall be three. Within thirty (30) days of delivery of the request for arbitration, each party shall appoint one (1) arbitrator. If the two party appointed arbitrators do not reach an agreement on the appointment of a third arbitrator who shall serve as the chairman of the tribunal within fifteen (15) days of their appointment, the AAA shall appoint the third arbitrator. The language of the arbitration shall be English. Judgment upon any award(s) rendered by the arbitrators may be entered in any court having jurisdiction thereof. Nothing in this Agreement shall prevent either party from seeking provisional measures from any court of competent jurisdiction, and any such request shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate.

8.3.4 Continued Performance. The Parties shall continue to perform their respective obligations under this Agreement during the existence of any Dispute under this Agreement or the pendency of any mediation or arbitration.

8.3.5 Commercial Acts. The Parties each agree that the execution, delivery and performance of this Agreement constitute private and commercial acts rather than public or governmental acts.

8.4. Rules of Interpretation

In this Agreement, unless the context otherwise requires, headings are for convenience only and do not affect the interpretation of this Agreement; a reference to an Exhibit, Article or

Section is a reference to that Exhibit to, or Article or Section of, this Agreement; a reference to a document includes any amendment or supplement to, or replacement or novation of, that document; a reference to the singular includes the plural and vice versa; the words “include,” “includes,” and “including” mean include, includes, and including “without limitation” and “without limitation by specification,” and any list or series following any such term is: (a) not exhaustive and (b) not meant to be limited to elements or items of the same or similar kind; and the words “hereof”, “herein” and “hereunder”, or “thereof”, “therein” and “thereunder” and words of similar import when used shall refer to this Agreement or any other agreement as a whole and not to any particular provision.

8.5. Construction

This Agreement shall not be construed more strictly against one Party than against any other Party merely by virtue of the fact that this Agreement may have been prepared by counsel for one of the Parties, it being recognized that all Parties have contributed substantially and materially to the preparation of this Agreement.

8.6. Conflicts

Subject to Section 8.2 hereof, all statutes, codes, ordinances, rules and regulations in effect in the Virgin Islands as of the date hereof shall continue in effect in their current form during the entire Term, except as may otherwise be agreed to by Cruzan in writing and except to the extent of amendments mandated by Government or federal requirements. Notwithstanding the foregoing, if any of any statute, code, ordinance, rule or regulation is hereafter adopted, amended or interpreted so as to be less restrictive upon Cruzan than is currently the case, then at the option of Cruzan, such less restrictive amendment or interpretation shall control and become applicable without the requirement of an amendment to this Agreement.

8.7. Severability

In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect and for any reason whatsoever, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. In the event any such provision is held to be invalid, illegal or unenforceable, the Parties hereto shall make their best efforts to agree on a provision in substitution for such invalid, illegal or unenforceable provision that is as near in economic benefit as possible to the provision found to be invalid, illegal or unenforceable.

8.8. Notices

All communications and notices expressly provided for herein shall be sent, by registered first class mail, postage prepaid, by a nationally recognized overnight courier for delivery on the following Business Day or by telecopy (with such telecopy to be confirmed promptly in writing sent by mail or overnight courier as aforesaid), as follows:

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS:

Governor
Government House
21-22 Kongens Gade
St. Thomas, US Virgin Islands 00802
Telephone: 340-774-1000
Telefax: 340-777-6234

WITH COPIES TO:

Commissioner
Virgin Islands Department of Property & Procurement
Bldg. 1, Subbase --
3rd Floor
St. Thomas, US Virgin Islands 00802
Telephone: 340-774-3320
Telefax: 340-714-9511

Virgin Islands Public Finance Authority
24 Honduras, 2nd Floor
Frenchtown
US Virgin Islands 00802
Telephone: 340-714-1635
Telefax: 340-714-1636
Attention: Director of Finance and Administration

Attorney General of the Virgin Islands
Virgin Islands Department of Justice
34-38 Kronprindsens Gade
GERS Building, 2nd Floor
St. Thomas, US Virgin Islands 00802

CRUZAN:

Cruzan VIRIL, Ltd.
PO Box 218
Frederiksted, St. Croix
US Virgin Islands 00842-0218
Attention: President

WITH COPIES TO:

Beam Global Spirits & Wine, Inc.
510 Lake Cook Road
Deerfield, IL 60015
Attention: General Counsel

Fortune Brands, Inc.
520 Lake Cook Road
Deerfield, IL 60025
Attention: SVP - Strategy and Corporate Development

or to such other address as the receiving Party shall have most recently forwarded to the sending Party pursuant to the provisions of this Section 8.8.

8.9. Mutual Cooperation

The Parties agree to cooperate fully with each other to achieve passage of the Ratifying Act. Further, the Parties agree to cooperate fully in connection with the development and issuance of all press releases, correspondence to third-parties, and publications concerning the Project and this Agreement. The Parties also agree that, for the Term, they will communicate and consult on an ongoing basis with respect to any and all challenges by third parties, including, but not limited to, the initiation of, or defense against, any third-party litigation, administrative proceedings, or legislative actions contesting, undermining, or seeking to invalidate this Agreement or any of its provisions.

8.10. Assignment

This Agreement is not assignable by the Government in whole or in part except where Cruzan consents, in its sole discretion, to such assignment in writing. Cruzan shall have the right at any time to assign all its rights and obligations, or any part thereof, in and to this Agreement, or any part thereof, to any Cruzan Affiliate that agrees to assume the assigned obligations of Cruzan in and to this Agreement or applicable portion thereof; provided, however, that proof of the ability of such Cruzan Affiliate to fulfill any assigned obligations shall be provided to the Government as part of the advance notice by Cruzan. The Government may object to such assignment if it reasonably appears that the Cruzan Affiliate lacks such ability. Cruzan shall provide the Government at least thirty (30) days advance written notice of its intention to assign this Agreement. The Government shall receive a copy of the written agreement of the Cruzan Affiliate to agree to assume all assigned obligations and shall acknowledge to the Government its ability to fulfill such obligations.

8.11. No Third-Party Beneficiary

This Agreement is for the sole and exclusive benefit of the Government and Cruzan and, if applicable, any permitted successors, transferees or assigns thereof. No other Persons or entities are intended third party beneficiaries of this Agreement, including, without limitation, any third parties that may, from time to time, have ownership, security or other interests in any real or personal property associated with the Project, nor shall such third parties have any rights to enforce any of the provisions of this Agreement.

8.12. Contractual Relationship

None of the commitments or other obligations, agreements or provisions contained in this Agreement shall or shall be deemed to give the Government the right or power to exercise control over the affairs or management of Cruzan or its Affiliates, the Facilities or any part thereof. The relationship between the Government and Cruzan is, and at all times shall remain, contractual. No commitment or other obligation, agreement or provision of this Agreement, nor any agreement executed pursuant hereto, is intended, nor shall it be deemed or construed, to create a partnership, joint venture, agency or common interest between or among the

Government and Cruzan or to create any equity interest in the Facilities for the Government. Notwithstanding any other provision of this Agreement or any other agreement executed pursuant hereto or in connection herewith, the Government is not and shall not be construed as a partner, joint venturer, alter ego, manager, controlling Person or other business associate or participant of any kind of Cruzan, its stockholders, members, or partners or the Facilities.

8.13. Further Assurances

The Government and Cruzan agree to do all things and take all actions required, necessary or appropriate to carry out the terms of this Agreement and the implementation of the Parties' intent as reflected by the terms of this Agreement. Such things and actions include, but are not limited to, the obtaining, negotiation, execution and delivery of all necessary or desirable agreements, filings, consents, authorizations, approvals, licenses or deeds. Without limiting the generality of the foregoing, the Parties agree: (a) to take all actions, without exception, which are necessary and appropriate at any time to assure the binding effect, legality and enforceability of their respective obligations and commitments hereunder and (b) not to take any action which would affect adversely in any way whatsoever the binding effect, legality and enforceability of their respective obligations and commitments hereunder.

8.14. Survival of Representations and Warranties

The representations, warranties and covenants made by each of the Parties hereto and contained herein shall survive the performance of any obligations to which such representations, warranties and covenants relate.

8.15. Term of Agreement

The term of this Agreement (the "Term") shall commence on the Effective Date and continue in effect through the later to occur of the thirtieth (30th) anniversary of the Effective Date and the date on which the Cruzan Project Bonds issued pursuant to Article VI of this Agreement are no longer outstanding, which date for the Term may be extended by Cruzan for a period of thirty (30) additional years upon the delivery of written notice to the Government by Cruzan no later than thirty (30) days prior to the anticipated expiration of the Term. Upon the termination of this Agreement, Cruzan shall continue to retain ownership of the facilities financed hereunder. The Parties agree that if the Effective Date does not occur by November 30, 2009, or if the Cruzan Project Bonds are not issued by March 31, 2010 at the prevailing market rates (and in no event to exceed a 9% rate of interest), Cruzan may immediately terminate this Agreement in its sole and absolute discretion.

8.16. Binding Effect

This Agreement and all terms, provisions and obligations set forth herein shall be binding upon and shall inure to the benefit of the Government and Cruzan and their respective successors and assigns.

8.17. Waivers

Waiver of any of the obligations of a Party set forth in this Agreement may only be effected, in writing, by the other Party hereto. No delay or omission to exercise any right or power by any Party shall be construed to be a waiver. In the event any provision is waived by a Party, such waiver shall not be deemed to waive any other provision.

8.18. Entire Agreement

This Agreement is the entire agreement and supersedes all prior and collateral communications and agreements of the Parties relating to the subject matter.

8.19. Amendments

This Agreement may be amended only by a written modification duly executed by the Parties' authorized representatives.

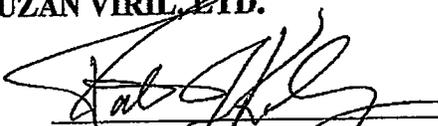
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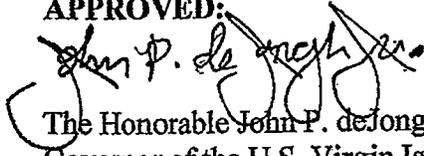
[SIGNATURE PAGES FOLLOW]

WHEREFORE, the Parties hereto have executed this Agreement as of the date first written above.

CRUZAN VIRIL, LTD.

By: 
Name: Patrick Kolev
Title: Authorized Signatory

APPROVED:



The Honorable John P. deJongh, Jr.
Governor of the U.S. Virgin Islands

APPROVED as to legal sufficiency,

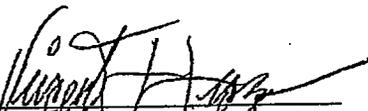
By: 
Vincent F. Frazer, Esquire
Attorney General

Exhibit C-1

Projected Bulk Rum Sales

<i>Year</i>	<i>Volume (in m PG)</i>	<i>YoY Growth</i>
CY 2010	6.64	
CY 2011	6.56	-1.22%
CY 2012	6.56	0.00%
CY 2013	6.56	0.00%
CY 2014	6.56	0.00%
CY 2015	6.56	0.00%
CY 2016	6.56	0.00%
CY 2017	6.56	0.00%
CY 2018	6.56	0.00%
CY 2019	6.56	0.00%
CY 2020	6.56	0.00%
CY 2021	6.56	0.00%
CY 2022	6.56	0.00%
CY 2023	6.56	0.00%
CY 2024	6.56	0.00%
CY 2025	6.56	0.00%
CY 2026	6.56	0.00%
CY 2027	6.56	0.00%
CY 2028	6.56	0.00%
CY 2029	6.56	0.00%
CY 2030	6.56	0.00%
CY 2031	6.56	0.00%
CY 2032	6.56	0.00%
CY 2033	6.56	0.00%
CY 2034	6.56	0.00%
CY 2035	6.56	0.00%
CY 2036	6.56	0.00%
CY 2037	6.56	0.00%
CY 2038	6.56	0.00%
CY 2039	6.56	0.00%

Exhibit C-2

Projected Aggregate Annual Rum Sales

<i>Year</i>	<i>Volume (in m PG)</i>	<i>YoY Growth</i>
CY 2010	10.5	
CY 2011	10.5	0.00%
CY 2012	16.1	51.99%
CY 2013	16.2	0.62%
CY 2014	16.3	0.62%
CY 2015	16.4	0.61%
CY 2016	16.5	0.60%
CY 2017	16.6	0.60%
CY 2018	16.7	0.60%
CY 2019	16.8	0.60%
CY 2020	16.9	0.60%
CY 2021	17.0	0.60%
CY 2022	17.1	0.60%
CY 2023	17.2	0.60%
CY 2024	17.3	0.60%
CY 2025	17.4	0.60%
CY 2026	17.5	0.60%
CY 2027	17.6	0.60%
CY 2028	17.7	0.60%
CY 2029	17.8	0.60%
CY 2030	17.9	0.60%
CY 2031	18.0	0.60%
CY 2032	18.1	0.60%
CY 2033	18.3	0.60%
CY 2034	18.4	0.60%
CY 2035	18.5	0.60%
CY 2036	18.6	0.60%
CY 2037	18.7	0.60%
CY 2038	18.8	0.60%
CY 2039	18.9	0.60%

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APPENDIX F

FORM OF THE CRUZAN PROJECT IMPLEMENTATION AGREEMENT

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CRUZAN PROJECT IMPLEMENTATION AGREEMENT

by and among

UNITED STATES VIRGIN ISLANDS,

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY,

CRUZAN VIRIL, LTD.

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

Dated as of December 1, 2009

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CRUZAN PROJECT IMPLEMENTATION AGREEMENT

THIS CRUZAN PROJECT IMPLEMENTATION, dated as of December 1, 2009 (this "Agreement"), by and among the GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS (the "Government"), acting by and through the Governor of the Virgin Islands, the VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY (the "Authority"), CRUZAN VIRIL, LTD. ("Cruzan") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee") under the Subordinated Indenture hereinafter defined;

WITNESSETH:

WHEREAS, pursuant to and in accordance with the criteria and guidelines established by the Authority, and in connection with a certain Agreement dated October 6, 2009 (the "Cruzan Agreement"), by and between Cruzan and the Government, ratified by 2009 V.I. Act 7127 of the Legislature of the Virgin Islands (the "Legislature"), the Authority has authorized and undertaken to issue one or more series of bonds, notes or other evidence of indebtedness to be designated as its Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Notes-Cruzan Project) in the aggregate principal amount of up to \$105,000,000 (collectively, the "Bonds"), pursuant to the Subordinated Indenture (as hereinafter defined), the proceeds of which Bonds shall be used to provide a grant to Cruzan for the purpose of financing certain costs of a project (the "Cruzan Project") consisting of the construction of a wastewater treatment facility (the "Cruzan Wastewater Treatment Facility") and the improvement and/or expansion of the Cruzan production facilities (the "Cruzan Expansion Facility", and collectively with the Cruzan Wastewater Treatment Facility, the "Facilities");

WHEREAS, the Authority will lend the proceeds of the Bonds to the Government to provide the grant to Cruzan to finance the Cruzan Project in accordance with the Cruzan Agreement. The loan will be made pursuant to one or more Loan Agreements, including the Loan Agreement, dated as of December 1, 2009 (the "Loan Agreement"), by and among the Government, the Authority and the Trustee, and, in order to evidence such debt obligation, the Government will issue to the Authority one or more of its loan notes in an amount up to \$105,000,000 (collectively, the "Loan Notes"), as limited obligations of the Government secured

solely by a pledge of the Cruzan Matching Fund Revenues (as defined in the Subordinated Indenture);

WHEREAS, pursuant to a Subordinated Indenture of Trust (the “Subordinated Indenture of Trust”), as supplemented from time to time, including as supplemented by a First Supplemental Subordinated Indenture of Trust (the “First Supplemental Subordinated Indenture”, and together with the Subordinated Indenture of Trust, the “Subordinated Indenture”), each dated as of December 1, 2009, and each by and between the Authority and the Trustee, the Authority will issue Bonds in anticipation of receipt of Cruzan Matching Fund Revenues (as defined in the Subordinated Indenture);

WHEREAS, in order to provide for the timely payment of the Loan Notes, the Government has assigned the Cruzan Matching Fund Revenues to the Authority to satisfy its obligations under the Loan Agreement, and the Government, the Authority and The Bank of New York Mellon Trust Company, N.A., as Cruzan Special Escrow Agent (the “Cruzan Special Escrow Agent”), have entered into a Cruzan Special Escrow Agreement, dated as of December 1, 2009 (the “Cruzan Special Escrow Agreement”);

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

Section 1. All capitalized terms used herein shall have the meanings set forth in the Subordinated Indenture or the Cruzan Agreement unless otherwise indicated.

Section 2. For purposes of effectuating certain provisions of the Cruzan Agreement, the Government and Cruzan hereby agree as follows:

(a) The Government has established Account #_____ held by The Bank of New York Mellon Trust Company, N.A. on behalf of the Government and designated the “Government Account”, for purposes of making the necessary deposits pursuant to Sections 6.1.6(b)(ii) of the Cruzan Agreement, subject to any adjustments, as appropriate in accordance with Section 5.4 of the Cruzan Agreement; and

(b) Cruzan has established Account # _____ held by _____ on behalf of Cruzan and designated the “Cruzan Surplus Receipts Account” for purposes of any required deposits of the Rum Promotion Support Payments, the Marketing Support Payments, the Strategic Third Party Marketing Support Payments, the Molasses Subsidy Payments, the Bulk Rum Production Incentive Payments, and the Branded Rum Production Incentive Payments, together with any “True-Up Amount” or other adjustments due from the Government to Cruzan, pursuant to Section 6.1.6(b)(iii) and Article V of the Cruzan Agreement, all as disbursed in accordance with the Cruzan Special Escrow Agreement.

Section 3. The Trustee acknowledges and agrees to make deposits in accordance with the Cruzan Special Escrow Agreement and the Cruzan Agreement in the accounts referenced in Sections 2(a) through (c) hereof, as directed by the Government, the Authority or Cruzan, as applicable, upon the certification of such amounts by the Calculation Agent. Each of the Government, the Authority and Cruzan agree to hold the Trustee harmless in any way therefor.

Section 4. No Additional Senior Lien Bonds or Additional Second Lien Bonds shall be issued under the Senior Indenture, nor shall any Subordinated Revenue Bonds be issued or redeemed (other than any Mandatory Sinking Fund Requirements, if required under a Subordinated Supplemental Indenture) and no Qualified Swap Agreement shall be entered into pursuant to the Subordinated Indenture, without, in each case, the prior written consent of Cruzan, which consent shall not be unreasonably withheld or delayed so long as the request for consent (a) establishes satisfaction of the conditions for issuance of Additional Bonds under the Senior Indenture, as amended, or under the Subordinated Indenture, as the case may be, and (b) certifies satisfaction of the Government’s obligations under the Cruzan Agreement.

Section 5. The parties hereto agree that, upon any event of Material Default under the Cruzan Agreement and redemption and/or defeasance of Subordinated Revenue Bonds under the Subordinated Indenture, other than Mandatory Sinking Fund Requirements, the Government shall deliver all sums received by the Government as liquidated damages pursuant

to the Cruzan Agreement and shall cause the Paying Agent under Sections 4.02, 4.03 and 4.05 of the Subordinated Indenture to apply such sums to the redemption and/or defeasance of outstanding Subordinated Revenue Bonds.

Section 6. The parties hereto agree that the Authority will not appoint a Remarketing Agent pursuant to the Subordinated Indenture without the prior written consent of Cruzan, which consent shall not be unreasonably withheld or delayed. The parties hereto further agree that the Authority will not appoint a Credit Provider for any purposes under the Subordinated Indenture without the prior written consent of Cruzan, which consent shall not be unreasonably withheld or delayed.

Section 7. The Authority agrees that it will consult with Cruzan and furnish copies to Cruzan of each directive to the Trustee in Article V of the Subordinated Indenture and the Trustee agrees to deliver to Cruzan copies of all notices delivered to the Authority upon any transfers made under Article V of the Subordinated Indenture.

Section 8. The Trustee agrees to furnish copies of all reports prepared pursuant to Sections 5.04 (c) and 5.17 of the Subordinated Indenture to Cruzan.

Section 9. For the limited purposes of directing the investments of funds held in the Accounts and Subaccounts under the Subordinated Indenture pursuant to Sections 5.02, 5.07, 5.08, 5.15, 5.19 and 5.20 thereof, and any Senior Lien Capitalized Interest Subaccount and Second Lien Capitalized Interest Subaccount created pursuant to Section 5.01 thereof, and the specific Subaccounts therein created with respect to any Series of Subordinated Revenue Bonds issued under the Subordinated Indenture, the parties hereto agree that Cruzan shall be authorized to consult with the Authority in directing the Trustee as to such investments; provided, however, such investments shall only be invested in the Permitted Investments pursuant to the Subordinated Indenture. The Authority further agrees to cause the Trustee to send to Cruzan directly copies of all trust statements with respect to such funds and accounts on a monthly basis.

Section 10. The Authority agrees to furnish copies of all reports delivered to the Trustee and the Municipal Securities Rulemaking Board pursuant to Section 6.09 of the Subordinated Indenture to Cruzan.

Section 11. The parties hereto agree that the Authority will not appoint a successor Trustee under the Subordinated Indenture without the prior written consent of Cruzan, which consent shall not be unreasonably withheld or delayed.

Section 12. Without limiting the obligations of the Government pursuant to Section 1.2 of the Cruzan Agreement, the parties hereto agree that no Supplemental Subordinated Indenture or Loan Agreement shall be entered into, nor shall any supplement or amendment of any Loan Agreement be entered into by and between the Government and the Authority, without, in each case, the prior written consent of Cruzan, which consent shall not be unreasonably withheld, conditioned or delayed.

Section 13. The parties hereto agree that:

(a) The Calculation Agent shall be an independent certified public accounting firm appointed by the Government, with the consent of Cruzan and Diageo USVI Inc. (“Diageo”), pursuant to Section 3(a) of the Cruzan Special Escrow Agreement and Section 3(b) of and the Diageo Special Escrow Agreement, respectively, for the purpose of performing the necessary calculations required to determine amounts to be paid a party or deposited into an account pursuant to each of the Cruzan Special Escrow Agreement, the Diageo Special Escrow Agreement, the Subordinated Indenture, the Diageo Subordinated Indenture, the Cruzan Agreement and the Diageo Agreement.

(b) The Independent Verification Analyst shall be IHS Global Insight, Inc. Any successor Independent Verification Analyst shall be a firm appointed by the Government, with the consent of Cruzan and Diageo, which consents shall not be unreasonably withheld or delayed, for the purpose of providing the necessary certificates required pursuant to Sections 2.05 and 2.06 of the Subordinated Indenture in connection with the issuance of Additional Senior Lien Bonds or Additional Second Lien Bonds.

(c) The Calculation Agent shall be required to perform the calculations in the manner prescribed in the Calculation Agreement, a form of which is attached as Exhibit A to the Cruzan Special Escrow Agreement.

(d) No removal or replacement of the Calculation Agent by the Government will occur without the prior written consent of Cruzan and Diageo, such consents not to be unreasonably withheld, conditioned or delayed. The parties hereto acknowledge and agree that the Government may remove the Calculation Agent for cause upon the reasonable request of Cruzan and/or Diageo.

(e) In the event of any dispute as to the calculations certified to by the Calculation Agent for purposes of the Senior Special Escrow Agreement, the Diageo Special Escrow Agreement, the Cruzan Special Escrow Agreement, the Subordinated Indenture and the Diageo Subordinated Indenture, the provisions of Section 8.3 of the Cruzan Agreement and Section 10.3 of the Diageo Agreement, as the case may be, shall govern.

Section 14. The parties hereto agree that copies of all notices delivered under the Subordinated Indenture, the Loan Agreement, the Cruzan Special Escrow Agreement and any Subordinated Supplemental Indenture hereof shall be furnished by the party delivering any such notice to Cruzan at the addresses provided in Section 19 hereof or if received by a party hereto from an entity not party to this Agreement with respect to the provisions of this Agreement, such party shall forward such notice to Cruzan.

Section 15. Cruzan does hereby represent and warrant that it is a corporation duly organized, validly existing, and in good standing under the laws of the United States Virgin Islands, has the power to enter into and perform the obligations set forth in this Agreement and to own its property and assets, has duly authorized the execution and delivery of this Agreement by proper action and this Agreement, the authorization, execution, delivery and performance hereof, the performance of the agreements therein and herein contained nor the consummation of the transactions therein and herein contemplated will not violate any provision of law, any order of any court or agency of government or any agreement, indenture or other instrument to which Cruzan is a party or by which it or its property is subject to or bound, or be in conflict with or result in a breach of or constitute (with due notice and/or lapse of time) a default under any indenture, agreement or other instrument or any provision of its certificate of incorporation or by-laws, or any other requirement of law. This Agreement constitutes the legal, valid and binding obligations of Cruzan enforceable against Cruzan in accordance with its terms, except as

such enforceability may be limited by bankruptcy, moratorium or insolvency or other laws affecting creditors' rights generally and subject to general rules of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

Section 16. Cruzan agrees that it shall not (i) take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest represented by any Tax-Exempt Subordinated Revenue Bonds, under Section 103 of the Code (as defined below) and, in implementation of this covenant, agrees to comply with the provisions of the Arbitrage and Use of Proceeds Certificate to be executed on the date of issuance of any Tax-Exempt Subordinated Revenue Bonds. Further, Cruzan will not directly or indirectly use or permit the use of any proceeds of any Tax-Exempt Subordinated Revenue Bonds or take or omit to take any action that would cause any Tax-Exempt Subordinated Revenue Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended from time to time (the "Code") or private activity bonds with the meaning of Section 141 of the Code and will, to the extent necessary comply with all requirements of Section 148 of the Code and Section 141 of the Code to the extent applicable to any Tax-Exempt Subordinated Revenue Bonds; or (ii) use or permit the use of grant moneys received from the Government in a manner inconsistent with the requirements for Tax-Exempt Subordinated Revenue Bonds set forth in any Loan Agreement and the Subordinated Indenture.

Section 17. If any section, paragraph, sentence, clause or provision of this Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of this Agreement.

Section 18. From time to time, the parties hereto, may cause to be executed an amendment or supplement to this Agreement curing any ambiguity or curing, correcting or supplementing any defect or inconsistent provision contained in this Agreement or making such provisions in regard to matters or questions arising in this Agreement as may be necessary or desirable and as shall not materially adversely affect the interests of the holders of the Subordinated Revenue Bonds.

Section 19. This Agreement is intended to implement, but not amend, the provisions of the Cruzan Agreement and, in the case of a conflict between the terms of the Cruzan Agreement and this Agreement, the terms of the Cruzan Agreement shall control.

Section 20. All communications, directions, requests or other instruments authorized or required hereunder to be given to the Government, the Authority, Cruzan or the Trustee shall be deemed to have been sufficiently given for all purposes hereof if and when sent by telecopier, registered mail, return receipt requested to:

Government: Governor
Government House
21-22 Kongens Gade
St. Thomas, Virgin Islands 00802

With a copy to: Commissioner
V.I. Department of Property & Procurement
Bldg. 1, Subbase –
3rd Floor
St. Thomas , VI 00802

Public Finance Authority
24 Honduras, 2nd Floor
Frenchtown
U.S. Virgin Islands 00802
Telephone: 340-714-1635
Telefax: 340-714-1636
Attention: Director of Finance and
Administration

Authority: Director of Finance
and Administration
32 & 33 Kongens Gade, Government Hill
Charlotte Amalie St. Thomas
U.S. Virgin Islands 00802

and

Commissioner of Finance
76 Kronprindsen Gade
Charlotte Amalie, St. Thomas
U.S. Virgin Islands 00802

With a copy to:

Director, Office of Management and Budget
41 Norre Gade
Emancipation Garden Station
2nd Floor
Charlotte Amalie, St. Thomas
U.S. Virgin Islands 00804

Department of Justice
48B-50C Kronprindsens Gade
GERS Building, 2nd Floor
Charlotte Amalie
St. Thomas, USVI 0080
Attn: Attorney General

Cruzan:

Cruzan VIRIL, Ltd.
PO Box 218
Frederiksted, St. Croix
US Virgin Islands 00842-0218
Attention: President

With copies to:

Beam Global Spirits & Wine, Inc.
510 Lake Cook Road
Deerfield, IL 60015
Attention: General Counsel

Fortune Brands, Inc.
520 Lake Cook Road
Deerfield, IL 60025
Attention: SVP - Strategy and Corporate
Development

Trustee:

The Bank of New York Mellon Trust
Company, N.A.
10161 Centurion Parkway
Jacksonville FL 32256
Telefax: 904-645-1997
Attn: Corporate Trust Department

Section 21. Except insofar as the duties, powers and authority of the Authority and the Government, and their respective officers and employees, are governed by the laws of the United States Virgin Islands, this Agreement shall be governed by the applicable laws of the State of New York.

Section 22. The parties hereby agree that solely for purposes of the limitations of liability and mutual releases contained in Section 7.6.2 of the Cruzan Agreement, the Authority shall be deemed a “Party.”

Section 23. This Agreement may be executed in several counterparts, all or any of which shall be regarded, for all purposes, as one original, and shall constitute and be but one and the same instrument.

Section 24. In connection with its execution and performance hereunder, the Trustee is entitled to all rights, privileges, protections, immunities, benefits and indemnities provided to it under the Subordinated Indenture and any Loan Agreement.

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE TO CRUZAN PROJECT IMPLEMENTATION AGREEMENT]

IN WITNESS WHEREOF, the parties hereto have each caused this Agreement to be executed by their duly authorized officers or elected officials and the Government has caused its seal to be hereunder affixed and attested as of the date first above written.

**GOVERNMENT OF THE UNITED STATES
VIRGIN ISLANDS**

SEAL

Attest: _____
Name: Debra E. Gottlieb
Title: Director of the Office of
Management and Budget

By: _____
Name: Honorable John P. deJongh, Jr.
Title: Governor

**VIRGIN ISLANDS PUBLIC FINANCE
AUTHORITY**

By: _____
Name: Debra E. Gottlieb
Title: Secretary

By: _____
Name: Angel E. Dawson, Jr.
Title: Executive Director

CRUZAN VIRIL, LTD.

By: _____
Name: _____
Title: _____

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By: _____
Name: Linda Boenish
Title: Vice President

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APPENDIX G

**VERIFICATION AND PROJECTION OF MATCHING FUND REVENUES
FROM RUM SHIPMENTS TO THE U.S.**

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Verification and Projection of Virgin Islands Matching Fund Revenues from Rum Shipments to the US

Submitted to:

Virgin Islands Public Finance Authority

Prepared by:
IHS Global Insight, Inc.
US Regional Services



November 30, 2009

James Diffley
Group Managing Director

Jeannine Cataldi
Senior Economist

Ana Orozco
Senior Economist

IHS Global Insight, Inc.
800 Baldwin Tower
Eddystone, PA 19022

(610) 490-2642
FAX: (610) 490-2770

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Disclaimer

The projections and forecasts included in this report, including, but not limited to, those regarding future excise tax revenues, are estimates, which have been prepared on the basis of certain assumptions and hypotheses. No representation or warranty of any kind is or can be made with respect to the accuracy or completeness of, and no representation or warranty should be inferred from, these projections and forecasts. The projections and forecasts contained in this report are based upon assumptions as to future events and, accordingly, are subject to varying degrees of uncertainty. Some assumptions inevitably will not materialize and, additionally, unanticipated events and circumstances may occur. Therefore, for example, actual matching fund revenues inevitably will vary from the projections and forecasts included in this report and the variations may be material and adverse.

Executive Summary

Revenue Verification

IHS Global Insight reviewed records that document the Matching Fund Revenue collection and transfer process during the period from FY 1992 through FY 2009. This review indicated that the annual Matching Fund Revenues transferred to the United States Virgin Islands Government ("VI") are consistent with excise taxes collected from U.S. distillers on purchases of bulk VI rum and U.S. Customs Service ("Customs") duties levied on cased VI rum. This conclusion is based on a review of the method by which Matching Fund Revenues are calculated and transferred, which involves a process of revenue projections and subsequent adjustments based on actual revenues collected. Between FY 1992 and FY 2009 certain revenue transfers did not exactly equal the amounts that would be expected, given this projection and adjustment process. Because these discrepancies were minimal, however, we considered them immaterial.

Revenue Projection

Projections of future Matching Fund Revenues in this report are derived in two parts. First we project the revenues based on shipments from the existing rum plant ("Cruzan") operated by Fortune Brands, and soon to be expanded under the "Cruzan Agreement" with the VI. Second, we add the revenues projected from shipments by Diageo USVI, Inc. ("Diageo") of rum to be used in the production of Captain Morgan branded products, which are expected to commence in 2012.

We present three alternative scenarios – a baseline forecast and one low and one high scenario - of future rum shipments and Matching Fund Revenues. The first model, our Constant Market Share Model, projects Matching Fund Revenues as a function of U.S. rum consumption. This model, in accord with an upturn in rum consumption in the past decade, predicts an increasing revenue stream consistent with our forecast of higher U.S. consumption, which is similar to the projection of rum consumption contained in the *Adams Liquor Handbook (2008, 2009)*. In each scenario U.S. rum consumption is moderated significantly by the current recession in U.S. economy, and it is assumed that the economy will not return to robust growth until 2011.

This model projects that growth in U.S. rum consumption will average 2.5% during the 30 years from 2008 to 2038, reaching 51.5 million 9-liter cases in 2038. Matching Fund Revenues from the Cruzan plant also will average 2.3% annual growth from 2009 to 2035, when the expanded plant's matured rum shipment capacity of 14.4 million proof gallons is reached. At that capacity Matching Fund revenues from Cruzan will equal \$190.8 million annually. Under the similar constant share scenario, it is assumed that Captain Morgan maintains its current share of the U.S. rum market, the new plant reaches its matured rum shipment capacity of 18.9, million proof gallons in 2025, and it will then generate Matching Fund revenues of \$238.5 million annually. This assumes that the U.S. Government's current "cover-over" rate (i.e. the portion of excise tax revenues actually transferred to the VI Government remains unchanged at \$13.25 per proof gallon.

The second model, our Growing Market Share Model, projects that Cruzan and Captain Morgan will increase their share of the U.S. rum market. This model projects higher growth in Matching Fund Revenues than the Constant Market Share model. Matching Fund Revenues reach an annual total of \$429.3 million by 2029 as a result of an average rate of growth of Fortune Brands shipments of Cruzan, Ronrico, and other rum of 2.9% per year from 2009 to 2029, and of Diageo shipments of Captain Morgan of 4.7% until capacity is reached in 2020. As with the first model,

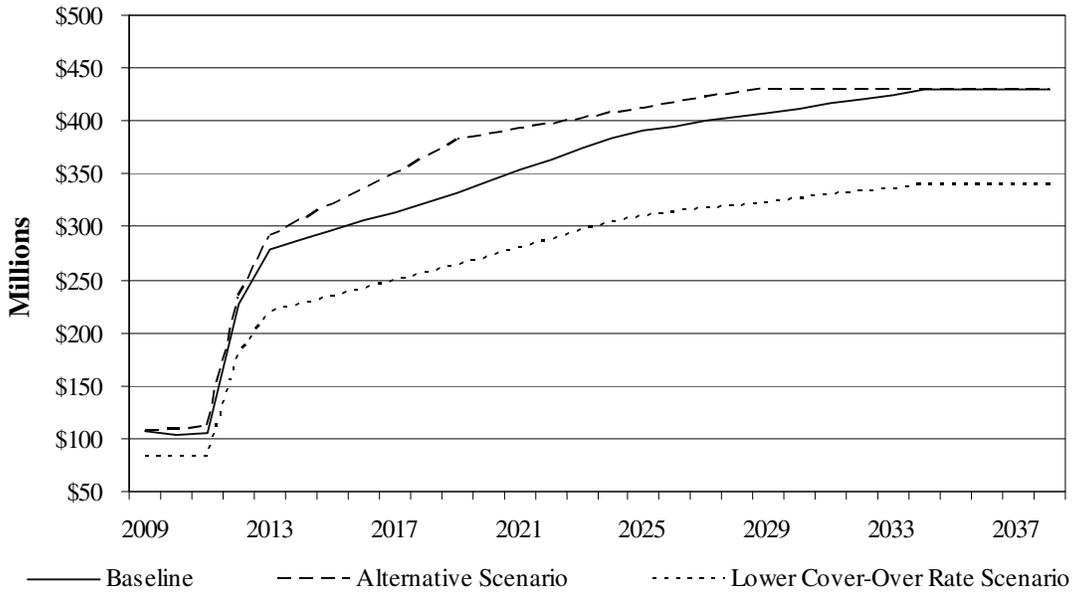
this projection assumes that the U.S. Government's \$13.25 per proof gallon cover-over rate remains unchanged.

Finally, our third scenario shows future Matching Fund Revenues under the assumption that the cover-over rate reverts to \$10.50 per proof gallons. Under this scenario, annual Matching Fund Revenues reach a peak of \$340.2 million in fiscal year 2035.

Graph 1 below illustrates the Matching Fund Revenues projected by these three scenarios.

Graph 1

Projected Matching Fund Revenues, FY2009-FY2038



Revenue Verification

Revenue Estimate and Transfer Process

The VI Government receives revenue from the U.S. federal excise taxes that are levied on VI rum shipped to and used for consumption in the United States. All of this rum is produced by a single producer, Cruzan owned by Fortune Brands. Federal excise taxes levied on VI rum are paid by U.S. distributors when they bottle VI rum shipped in bulk to the US, and are collected by the Alcohol and Tobacco Tax and Trade Bureau (“TTB”) of the U.S. Department of Treasury (“Treasury”).¹ TTB collects these taxes at the rate of \$13.50 per proof gallon. Currently, the portion of these revenues which is actually transferred to the VI Government is, by statute, \$13.25 per proof gallon. These federal excise tax collections, based on the \$13.25 rate, are known as the “cover-over” Matching Fund Revenues received by the VI.² A cover-over rate of \$11.30 expired on September 30, 1998, reverting to a rate of \$10.50 per proof gallon. In fiscal year 2000, the rate increased from \$10.50 to the current rate of \$13.25 per proof gallon. In addition, monies collected by Customs on cased rum (rum produced and bottled in the VI and exported to the US), also currently computed at the \$13.25 rate, are included in Matching Fund Revenues. These collections are typically small compared to bulk collections, as about 99% of VI rum is currently exported in bulk to the US.

Matching Fund Revenues are not transferred to the VI directly when collected by TTB. Instead, the process by which they are received by the VI involves an annual advance of monies, based on projected tax revenues (referred to as the “base advance”), and subsequent adjustments to this advance. These adjustments are equivalent to the difference between the base advance and actual earnings two FYs earlier. Therefore, the amount of Matching Fund Revenues received by the VI Government during a given FY does not equal the “cover-over” amounts collected during the same 12-month period. For example, the FY 2007 advance was equal to projected FY 2007 revenues adjusted by the difference between the FY 2005 base advance and actual FY 2005 collected tax revenues. These actual monthly collected federal excise tax revenues are reported by TTB through Monthly Cover-Over Reports submitted to the U.S. Department of the Interior (“Interior”).

Each year, the VI Government requests the VI’s Matching Fund Revenue advance through a letter submitted in September by the Governor of the Virgin Islands (the “Governor”) to Interior. The Governor’s request is based on an estimate by the VI Office of Management and Budget (“OMB”) of rum production and the resulting federal excise tax revenues to be collected and the appropriate adjustment for that year. This adjustment is based on collected tax revenues two fiscal years earlier. Interior then determines the amount that will be transferred to the VI Government, and requests that Treasury transfer that amount to an account held by the Special Escrow Agent acting on behalf of the VI Government (the “Escrow Account”), pursuant to a certain Special Escrow Agreement by and between the Government and the Special Escrow

¹ Prior to 2003, TTB was known as the Bureau of Alcohol, Tobacco and Firearms (“BATF”). All references to data reviewed and received before 2003 will be referenced as TTB for consistency.

² The term “cover-over” revenue can also be used to refer to all tax revenues collected on the sale of rum in the United States and transferred to the VI, including Caribbean Basin Initiative (“CBI”) funds. These CBI funds are collected from excise taxes on rum imported into the U.S. from sources other than the VI and Puerto Rico. For this report, only those funds generated from VI rum exports to the U.S. were considered since it is these revenues that comprise the Matching Fund Revenues and are pledged to secure the Bonds.

Agent (the “Special Escrow Agreement”). This transfer from Interior to the Special Escrow Agent typically occurs by September 30 each year.

Data Verification

Since Matching Fund Revenues secure the Bonds, it is the flow of these funds that was the focus of our data verification efforts. Specifically, our objective was to confirm that the Matching Fund Revenues collected by Customs and eligible for transfer to the VI Government equaled the funds actually transferred to the VI Government. Confirming this flow of funds is complicated by the fact that, as described above, revenues are subject to an advance and adjustment process. The following sources were used to document this process and were the primary components of the verification process:

1. **Interior letters to Treasury requesting the annual transfer of Matching Fund Revenues to the VI.** These letters provide three central pieces of information:
 - a) estimate of the annual base advance of VI excise tax revenues,
 - b) the adjustment to be made to the base advance after verification of the actual excise taxes collected in the second preceding FY; and
 - c) the adjusted amount to be transferred to the Escrow Account held by the Special Escrow Agent on behalf of the VI Government.
2. **TTB Monthly Cover-Over Reports.** These reports document the amount of federal excise taxes collected monthly by the TTB and eligible for transfer to the VI, based on the cover-over rate. These reports provide a record of the amounts the VI actually earned through the federal excise tax collected on rum in a given month. The reports detail the four components of the Virgin Islands’ total net monthly rum earnings, which are defined below:
 - a) Bulk Spirits collections - revenue collected from bulk rum purchases;
 - b) Customs collections - Customs collections on cased rum,
 - c) Adjustment to Bulk - correction applied to account for discrepancies discovered in past Bulk Spirits collections calculations; and
 - d) Adjustment to Customs - correction applied to account for discrepancies discovered in past Customs collections calculations.
3. **Bank Statements.** The annual Matching Fund transfer is deposited into the Escrow Account. Bank statements for this account provide a record that the transfer amount requested by the Interior was in fact received on behalf of the VI Government.

In addition to these documents, we also collected information from OMB. OMB records information associated with the federal excise tax revenue collection process and provided a series of spreadsheets that it uses to track rum excise tax revenues and shipments. In preparing its estimate of federal excise taxes to be available for transfer to the VI, OMB reviews historical rum shipments and earnings and projected rum shipments and sales for the next fiscal year prepared by Cruzan. Although the Governor uses OMB’s estimate in making annual transfer requests to Interior, it is ultimately Interior that determines the amount of the advance that is transferred. Therefore, a verification of OMB’s forecasts and subsequent requests was not performed. OMB’s information did, however, provide a supplement to other data sources.

Verification Findings

Table 1 summarizes the data received and used for the Matching Fund Revenue verification.

Table 1
Inventory of Data Received, FY 1992 – FY2009

Fiscal Year	Interior Advance Request Letter	Monthly Cover-Over Letters^{1/}	Bank Statement
1992	√	√	
1993	√	√	
1994	√	√	
1995	√	√	√
1996	√	√	√
1997	√	√	√
1998	√	√	
1999	√	√	√
2000	√	√	√
2001	√	√	√
2002	√	√	√
2003	√	√	√
2004	√	√	√
2005	√	√	√
2006	√	√	√
2007	√	√	√
2008	√	√	√
2009	√		√

^{1/}Cover-Over Letters for FY 1990 and FY 1991 also were reviewed so that FY 1992 and FY 1993 advances could be verified.

It also should be noted that we reviewed data from the sources above for years prior to the verification period. This review, while not formally included in our data verification, did not present any information that contradicts our verification findings.

Verification Questions and Findings

Verification Questions

In order to verify the federal excise taxes collected and the Matching Fund Revenues transferred to the VI Government, we addressed the following questions for the FY 1992 through FY 2009 period:

1. For each year, what was the difference between the base advance for a given year and the actual earnings for that year, as recorded in TTB's Monthly Cover-Over Reports? We assumed that the difference for each year would be used to adjust the base advance in the second fiscal year immediately following.
2. Do annual funds authorized for transfer to the VI equal the base advance for a given year adjusted by the difference discussed in item one, for two fiscal years earlier?
3. Are the annual transfer amounts authorized by Interior equal to deposits transferred to VI Escrow account?

Verification Findings

Our findings with regard to these questions are as follows:

1. In order to verify actual earnings, we compiled data from TTB's Monthly Cover-Over Reports. The earnings figure used for Matching Fund Revenue calculations, according to TTB, is the "Total" figure (i.e. the sum of Bulk Spirits, Customs, Adjustment to Bulk and Adjustment to Customs) reflected in the chart below. Note that the cover-over rate increased from \$10.50 to \$11.30 per proof gallon at the beginning of FY 1995, declined to \$10.50 in FY 1999, and increased to \$13.25 in FY 2000 and remains at that rate today.

Table 2
TTB Monthly Cover-Over Reports
Components of Matching Fund Revenues, FY 1990-FY 2009

Fiscal Year	(a) Bulk Spirits (\$)	(b) Customs (\$)	(c) Adjustment to Bulk (\$)	(d) Adjustment to Customs (\$)	TOTAL (\$)
1990	28,735,178.45	8,185.21	221,062.69	0	28,964,426.35
1991	27,319,420.71	1,505.72	198,293.02	0	27,519,219.45
1992	27,943,258.16	15.03	586,594.47	-3.53	28,529,864.13
1993	30,633,882.04	19.44	-1,238,291.98	62.22	29,395,671.72
1994	29,782,689.33	59.63	545,373.27	0	30,328,122.23
1995	41,002,332.97	9,692.90	11,080.84	0	41,023,106.71
1996	43,579,475.37	16,145.29	-954,413.99	0	42,641,206.67
1997	46,020,134.23	1,987.83	-398,421.88	0	45,623,700.18
1998	50,239,651.31	15,255.34	53,216.22	0	50,308,122.87
1999	50,661,915.08	27,649.87	457,782.24	-7361.72	51,139,985.47
2000	58,947,063.81	11,136.58	3,732,477.89	0	62,690,658.28
2001	66,341,451.53	7227.61	1,743,039.50	0	68,091,718.64
2002	63,310,703.51	19.63	-2,974,189.24	0	60,336,533.90
2003	64,106,256.03	3.49	-3403.88	0	64,102,855.64
2004	65,316,014.38	8.77	9,684,513.20	0	75,000,536.35
2005	74,278,805.73	1236.48	845,567.30	0	75,125,609.51
2006	76,126,242.64	3786.94	-5,250,675.54	0	70,879,354.04
2007	75,885,170.48	26.72	10,825,147.57	0	86,710,344.77
2008	85,769,141.32	2,084.45	6,167,304.61	0	91,938,530.48
2009	105,950,572.22	na	869,270.89	na	106,819,842.27

Source: TTB Monthly Cover-Over Letters, FY 1990 - FY 2008, OMB Monthly Collections, 2009.

- (a) Bulk Spirits - revenue collected from bulk rum purchases, calculated at the \$10.50 per proof gallon rate through FY1994, at the \$11.30 rate through FY1998, at the \$10.50 rate in FY1999, and then at \$13.25 for FY 2000 through FY 2008.
- (b) Customs - Customs collections on cased rum, computed at the 10.50 per proof gallon rate through FY1994, at the \$11.30 rate through FY1998, at the \$10.50 rate in FY1999, and at \$13.25 for FY 2000 through FY 2008.
- (c) Adjustment to Bulk - correction applied to account for discrepancies in past Bulk Spirits collections calculations. The very large adjustment in 2004 was the result of a year end adjustment of earlier monthly revenues from a \$10.50 rate to a \$13.25 rate.
- (d) Adjustment to Customs - correction applied to account for discrepancies discovered in past Customs collections calculations.
- (e) The large difference in FY2007 and FY2008 is due to collections taking place at the \$10.50 cover-over rate for several months in each period until the \$13.25 cover-over rate to be renewed. Once the rate was renewed, the difference for those months was forwarded by Treasury to the VI.

As described in Table 2 above, Adjustments to Bulk and Adjustments to Customs are corrections applied to account for reporting discrepancies in past calculations. Typically, these adjustments

result from TTB audits of past reports. There have been years when relatively large adjustments were applied, as in FY1993, FY2000, FY2001 and FY2002. The FY2000 adjustment is the result of a change in the portion of the excise tax, or cover-over rate, from \$10.50 to \$13.25 during the fiscal year. The adjustments in FY1993, FY2001 and FY2002 were corrections to past calculations.

For each year, the difference between total earnings and the base advance for that year represents the amount by which projected revenues differed from actual Matching Fund Revenues. This difference is used two fiscal years later to adjust the current FY base advance amount. Table 3 details these differences, and the fiscal years in which they were applied as an adjustment. For example, the FY2002 advance of \$60,121,000 was \$215,534 greater than actual collections during that fiscal year. Thus, when the FY2004 advance was requested an adjustment in the amount of \$215,534 was made, decreasing the size of the FY2004 advance payment.

Table 3
Components of Annual Adjustment Applied to Matching Fund Revenues
FY 1990 through FY 2008
Base Advances, Actual Excise Tax Collections and Subsequent Differences

FY In Which Adjustment Applied	Adjustment From FY	Projected Matching Fund Revenues (\$) ^{1/}	Totals from Cover-Over Reports (\$) ^{2/}	Expected Adjustment (\$)
1992	1990	29,000,000.00	28,964,426.35	-35,573.65
1993	1991	29,000,000.00	27,519,219.45	-1,480,780.55
1994	1992	28,500,000.00	28,529,864.13	29,864.13
1995	1993	29,000,000.00	29,395,671.72	395,671.72
1996	1994	30,928,800.00	30,328,122.23	-600,677.77
1997	1995 ^{3/}	52,500,000.00	41,023,106.71	-11,476,893.29
1998	1996	43,628,000.00	42,641,206.67	-986,793.33
1999	1997	46,150,000.00	45,623,700.18	-526,299.82
2000	1998 ^{4/}	46,515,000.00	50,308,122.87	3,793,122.87
2001	1999	43,634,997.00	51,139,985.47	7,504,988.47
2002	2000 ^{5/}	64,432,940.00	62,690,658.28	-1,742,281.72
2003	2001	67,610,513.00	68,091,718.64	481,205.64
2004	2002 ^{5/}	60,121,000.00	60,336,533.90	215,533.90
2005	2003	70,397,250.00	64,102,855.64	-6,294,394.36
2006	2004	65,849,003.00	75,000,536.35	9,151,533.35
2007	2005	66,961,000.00	75,125,609.51	8,164,609.51
2008	2006	78,712,000.00	70,879,354.04	-7,832,645.96
2009	2007 ^{6/}	71,295,000.00	86,710,344.77	15,415,344.77
2010	2008 ^{6/}	73,164,000.00	91,938,530.48	18,774,530.48
2011	2009 ^{6/}	75,064,694.00	106,819,842.27	31,755,148.27

Source: ^{1/} Interior letters to Treasury and VI OMB.

^{2/} TTB Monthly Cover-Over Reports.

^{3/} The large over-estimate in 1994 was the result of uncertainty over the impact of the Todhunter acquisition of VIRIL in 1994.

^{4/} The VI requested and received an early payment of \$3.8 million in December 1998 in recognition of the large forthcoming adjustment. This amount was the equivalent of the adjustment expected to be made in FY2000. Since this was paid in advance, there was no expected adjustment in FY2000.

^{5/} There was an additional adjustment in FY2000, due to an increase in the excise tax. In FY2000, the initial request was based on \$10.50 cover-over rate, and an additional request was made based on the increased \$13.25 cover-over rate.

^{6/} In 2008 and 2009 the expected adjustment amount was requested a year ahead of the usual time, rather than with the advance payment two years later. For instance, the FY2007 difference of \$15,415,345 was requested, and paid, early in FY 2008 instead of with the FY 2009 advance.

2. Once we determined these differences, we verified that these differences were, in fact, the amounts used to adjust annual base advances for the relevant fiscal year. In order to do this, we compared these differences to information included in Interior's letters to Treasury.

Table 4
Differences Between Expected Adjustments and Actual Adjustments
FY 1992 through FY 2009

Fiscal Year	Projected Matching Fund Revenues (\$) ^{1/}	Actual Advance (\$) ^{2/}	Actual Adjustment (\$)	Expected Adjustment (\$) ^{3/}	Difference Between Expected and Actual Adjustment (\$)
1992	28,500,000.00	28,651,241.00	151,241.00	-35,573.66	186,814.66
1993	29,000,000.00	27,519,220.00	-1,480,780.00	-1,480,780.55	0.55
1994	30,928,800.00	30,959,601.00	30,801.00	29,864.13	936.87
1995	52,500,000.00	52,707,921.00	207,921.00	395,671.72	-187,750.72
1996 ^{4/}	43,628,000.00	43,027,653.00	-600,347.00	-600,677.77	330.77
1997	46,150,000.00	34,673,107.00	-11,476,893.00	-11,476,893.29	0.29
1998	46,515,000.00	45,596,124.00	-918,876.00	-986,793.33	-67,917.33
1999	43,635,000.00	43,108,700.00	-526,300.00	-526,299.82	-0.18
2000	64,432,940.00	64,433,000.00	60.00	0.00	60.00
2001	67,610,513.00	75,116,000.00	7,505,487.00	7,504,988.47	498.53
2002	60,121,000.00	58,372,000.00	-1,749,000.00	-1,742,341.72	-6,658.28
2003	70,397,250.00	70,878,000.00	480,750.00	481,205.64	-455.64
2004 ^{5/}	65,849,003.00	63,097,000.00	-2,752,000.00	215,533.90	-2,967,533.90
2005 ^{5/}	66,961,000.00	63,635,053.00	-3,326,000.00	-6,294,394.36	2,968,394.36
2006	78,712,000.00	87,864,078.00	9,152,000.00	9,151,533.35	466.65
2007	71,295,000.00	79,459,206.00	8,165,000.00	8,164,609.51	390.49
2008	73,164,000.00	65,330,477.16	-7,833,000.00	-7,832,645.96	-354.04
2009 ^{6/}	75,064,694.00	75,064,694.00	0.00	15,415,344.77	15,415,344.77

Source: ^{1/}, ^{2/}Interior letters to Treasury and VI OMB.

^{3/} Derived from TTB Monthly Cover-Over Reports.

^{4/} FY 1996's advance was received in two stages.

^{5/} The expected adjustments for FY 2004 and FY 2005 differs from data in Table 3 due to a revision in the Projected Matching Funds Revenue from \$63,089,000 to \$60,121,000.

^{6/} The expected adjustment for FY 2009 was requested and paid in FY 2008.

As indicated in Table 4, actual adjustments are reasonably close to expected adjustments for most years in the verification period. There are notable exceptions, however, specifically in FY 1992, FY 1995 and FY 2005. In reviewing data for these years, we have found the following possible explanations for these differences.

- a. The adjustment used for the FY 1992 advance was derived from FY 1990 earnings. Earnings data provided by OMB suggest that there may have been an adjustment to December 1989 earnings of approximately \$186,816. OMB's records of earnings for FY 1989 reflect the unadjusted, bulk spirits revenue from TTB's Monthly Cover-Over Reports. The report that we received from TTB for this month indicates bulk spirits revenue of \$2,509,631.15, which is \$186,815.85 less than OMB's record of \$2,696,447.00. While there is no TTB documentation to confirm an adjustment specifically in this amount, the fact that OMB's

figures imply an adjustment so close to the amount in question suggests that a later adjustment to December 1989 earnings was made.

- b. The difference in question for FY 1995, which is based on FY 1993 actual earnings, suggests that perhaps the December 1989 adjustment discussed in item a, above, was applied in FY 1993. As indicated by the example Monthly Cover-Over Report, detailed reasons for earnings adjustments are not specified by TTB. As a result, TTB's adjustment for a given month could be comprised of a number of individual component adjustments. For FY 1993, a net total adjustment of -\$1,238,229.76 was applied. The fact that the difference in question for the FY 1995 adjustment (-\$187,750.72) is so close to the FY 1992 adjustment discrepancy (\$186,414.66) suggests that TTB applied a FY 1990 earnings adjustment in FY 1993 that was approximately \$187,000.

The aggregate of differences between the FY 1992 through FY 2009 period is minimal, and is equal to less than \$73,000. This is an immaterial difference, given the magnitude of earnings figures.

3. The bank statements that we have received match the Interior request letters. While there are three years in the verification period for which bank statements were not available, we did not consider this material. Based on the documentation we do have, there is no reason to believe that Matching Fund transfers officially requested by Interior were not deposited into the VI Government Escrow Account.

Revenue Projections

Introduction: The Rum Industry

The U.S. Spirits Industry

The distilled spirits industry generally embarked on a period of expansion in the past two decades. Previously U.S. consumption had been declining steeply since the early 1980s. By 1995 the volume of consumption had fallen to 137.3 million 9-liter cases, 28% less than the 190.9 million cases consumed in 1980. The year 1995 proved to be the trough of this cycle however. Since then, consumption has been steadily increasing, reaching 185.5 million 9-liter cases in 2008, following 2.1% growth over 2007. Industry projections are for further growth, averaging 1.8% annually over the next five years.³

Two broad socio-economic factors have been at work over this time. First, a growing health-consciousness among American consumers in the 1970s led to a reduction in alcohol consumption generally, and to a shift to beer and wine as hard liquor alternatives. Then, strong economic expansions boosted levels of disposable income. Consumer spending generally surged, and consumption shifted to more expensive, premium products. This refinement in tastes of Americans has been reflected in a shift in the composition of the distilled spirits market. Demand has shifted from whiskeys to non-whiskeys, particularly to vodka and rum.

This transition has mirrored the nation's demographics as the baby boom generation dominated consumption, replacing the habits of the previous generations. Subsequently, younger cohorts with more disposable income have driven the bar and restaurant market for premium cocktails.

The Rum Category

The rum industry's share of the U.S. distilled spirits market has grown steadily since 1992, reaching 13.3% in 2008. U.S. rum consumption has been rising for thirteen consecutive years since 1995. In 2008, U.S. rum consumption reached 24.6 million 9-liter cases, up 2.7% from 2007. As has also occurred with vodkas, recent growth has been in premium brands and in flavored varieties.

Rum is a highly concentrated market, with the top four brands accounting for more than 70% of U.S. consumption. While Bacardi remains the leading rum, selling 9.4 million 9-liter cases in 2008, Captain Morgan, the number two brand, has been growing more quickly and has thus seen significant gains in market share. In 2008, with 6.4 million 9-liter cases, Captain Morgan's share of U.S. rum consumption amounted to 26.1%, up from just 21.2% in 2002. Cruzan's leading brand has also been gaining market share. With average annual growth rate of 11.5% between 2002 and 2008, its market share has increased from 1.8% to 2.6%.⁴ Ronrico, which Fortune Brand's Beam Global subsidiary will produce exclusively at the Cruzan plant under the Cruzan Agreement, is the 6th largest US brand, but has seen its sales and market share decline over the last two decades.

³ *Adams Liquor Handbook (2008/2009)*.

⁴ *Adams Liquor Handbook (2008/2009)*.

Rum Production in the VI

Cruzan, now owned by Fortune Brands after acquisition in September 2008 from Pernod Ricard, is currently the only rum producer in the VI.⁵ Most, approximately 75%, of the rum produced in the Cruzan plant is exported to the U.S. mainland in bulk; the Cruzan branded rum is only a small percentage of total production. Bulk rum is sold to local and regional bottlers and rectifiers for sale under a variety of private label and regional brand names, and to certain other bottlers for use in prepared cocktails, liqueurs and drink mixes. Cruzan is the largest supplier of bulk rum to the U.S. market. By virtue of its smaller size and lower margins, the bulk market has proven unattractive to aggressive expansion by Bacardi and others and Cruzan maintains a market share of 85 to 90%. While tariff protection under the Caribbean Basin Initiative ("CBI") on high-end, branded rums has been eliminated, low value, bulk rum from the Caribbean continues to be protected. However, there are no guarantees that this segment will continue to benefit from preferential treatment. Over the long-term, increased trade liberalization is likely to intensify competition in the bulk rum market, especially from countries in South America, which have large indigenous sugar cane industries, inexpensive fuel, low wages, and substantial rum and alcohol production capacity.

We do not, however, anticipate a significant change in this competitive market structure. Cruzan has occupied a stable niche in the overall rum market for many years. Various US trade agreements, such as the CBI, have resulted in advantages for the Virgin Islands, and also for Puerto Rico, in exporting rum to the US. The fact that Cruzan is currently operating at less than 80% capacity and has a significant level of productive capacity in relation to the size of the bulk market renders new entry by small producers unattractive at present. The security of Cruzan's future place in the rum market is further enhanced by the fact that Virgin Islands Rum has name recognition, or "market cachet", which should help secure future demand.

Under the Cruzan Agreement the production capacity of the plant will be expanded to 14.4 million proof gallons. Beam Global will produce all its U.S. Ronrico brand at the plant. Beam Global also has indicated it will aggressively attempt to increase the shipments of other branded rums from the plant, reducing its dependence on the much lower priced bulk rum.

Cruzan also enjoys certain cost advantages that will help it remain competitive. These include a molasses subsidy provided by the VI and a range of tax incentives currently in place. According to Cruzan the molasses subsidy represents a significant advantage to operating in the VI. It allows Cruzan to purchase molasses at prices competitive with the costs of its Caribbean competitors. Given the Government's continued need for Matching Fund Revenues, and the Government's long-standing commitment to the rum industry, the Legislature has consistently authorized the subsidy every year since 1967. Additionally, the Economic Development Commission ("EDC") extends a 90% income tax abatement benefit to Cruzan as a means of promoting economic growth. Cruzan was first granted this tax abatement in 1987. We assume these tax incentives will remain in place. The Cruzan Agreement incorporates the Molasses Subsidy and Marketing programs over its 30 year term.

⁵ Pernod Ricard, the second largest spirit company in the world, became the owner of Cruzan VIRIL when it acquired Vin & Sprit from the Swedish government in 2008.

Another significant tax advantage stems from Cruzan's use of citrus byproducts. End products are taxed based on ingredients rather than on alcohol content. The use of fortified citrus wine instead of distilled spirits results in an excise tax saving.⁶

Captain Morgan

In 2009, Diageo began construction of a facility that will produce in the VI all the rum used in Captain Morgan branded products sold in the U.S., with a view to starting rum sales from the VI to continental U.S. in 2012. The VI government agreed to provide a range of incentives to support such production, including tax incentives, molasses subsidy payments, marketing and production funds, and grant financing for the acquisition and construction of the new plant and warehouse facility. Diageo, in turn, agreed to produce all of the rum used to manufacture Captain Morgan branded products sold in the U.S., in the new St Croix distillery for at least 30 years. Diageo's production of rum in the Virgin Islands will not only boost the VI's share of the U.S. rum market from 13% to more than 35%, it also will help Diageo to continue positioning Captain Morgan into non-price sensitive premium segment.

Previous Revenue Forecasts

Forecast of April 1998

In early 1998, in conjunction with the Public Finance Authority's \$541 million issuance of Matching Fund Revenue Bonds, WEFA (now IHS Global Insight) produced a report verifying and projecting revenues from rum shipments to the U.S. We projected that Matching Fund Revenues would average from \$45.8 million to \$49.1 million from FY1998 to FY2003. These revenues assumed a cover-over rate of \$11.30. At a \$10.50 rate revenues were projected to average from \$43.1 to \$46.2 million.

At that time a conservative estimate of U.S. rum consumption was adopted. The available data at the time, through 1996, did not provide sufficient evidence of an end to the downward trend in consumption observed from 1985 through 1994. Consumption had increased in 1995 and 1996 in concert with a very strong U.S. economy, but econometric analysis suggested that a strong negative trend had been temporarily offset by strong income growth. *Adams* likewise projected growth of less than one half of one-percent for 1997.

Forecast of November 2004

In late 2004, Global Insight (now IHS Global Insight) produced a report in connection with the issuance of Matching Fund Revenue Bonds verifying and projecting revenues from rum shipments to the United States, which updated the 1998 WEFA report. Data on rum consumption through 2003 led us to revise the forecast. Econometric analysis with the new historical data, which reflected both the continued robust U.S. economic growth, and the increasing popularity in the U.S. of tropical drinks, suggested continued positive growth going forward. Our projections, at that time, had consumption growth slowing, to an average of 3.8% per year between 2004 and 2009.

⁶ Though two and one-half gallons of citrus are required to replace one gallon of spirits, its excise tax of \$1.57 per gallon compares favorably with the \$13.50 imposed on spirits.

Forecast of June 2009

In 2009, with data available through 2008, IHS Global Insight produced a report in connection with the issuance of Subordinated Revenue Bonds which found that the growth projections in the 2004 report were low due to stronger than expected economic growth in the United States, which kept consumption rates at higher levels. Over the three year period to 2008 annual growth in consumption was 4.9%, while our projections had been for growth of 3.7%.

In addition this report projected Matching Fund Loan Notes–Diageo Project for shipments to the U.S. from both the Cruzan facility and the planned Diageo facility.

Forecast of September 2009

In September IHS Global Insight produced a report in connection with the issuance of Matching Fund Loan Notes verifying and projecting Matching Fund Revenues for both the existing Cruzan facility and the Diageo facility now under construction. During 2009, Fortune Brands completed facility investments and increased production. As a result shipments through June 2009 had significantly exceeded the projections of the June 2009 report. We increased our 2009 projection for Cruzan rum accordingly.

In contrast, this 2009 report incorporates the planned expansion of the Cruzan plant under the terms of the Cruzan Agreement. This has resulted in a significant increase in projected Matching Fund Revenues generated by Cruzan. It also incorporates more recent data and an updated US economic outlook. A lower US personal income forecast, has lowered our rum consumption forecast slightly, and therefore, our Diageo rum shipments projections.

Model Development

U.S. Rum Consumption

To forecast VI rum excise tax revenues, we first must forecast U.S. rum consumption. A demand- rather than a supply-based model is a more conservative approach for projecting future growth and relies on actual recent experience.

Using rum consumption data for the 1985 to 2008 period (see Table 5), we developed a regression model that projects U.S. rum consumption as a function of real personal income and a time trend. The time trend allows us to account for the rapid surge in popularity of rum consumption between 1995 and 2005.

Table 5
U.S. Consumption of Rum, 1985-2008
(9-Liter Cases)

Year	Rum Consumption	Growth Rate
1985	14,118,377	
1986	13,052,851	-7.5%
1987	13,450,740	3.0%
1988	13,334,940	-0.9%
1989	13,191,117	-1.1%
1990	13,564,115	2.8%
1991	12,324,756	-9.1%
1992	11,890,375	-3.5%
1993	11,927,692	0.3%
1994	11,712,877	-1.8%
1995	12,092,860	3.2%
1996	13,048,960	7.9%
1997	13,539,490	3.8%
1998	14,036,200	3.7%
1999	15,567,720	10.9%
2000	16,991,520	9.1%
2001	17,869,530	5.2%
2002	18,562,370	3.9%
2003	19,509,380	5.1%
2004	20,799,770	6.6%
2005	22,040,000	6.0%
2006	22,873,000	3.8%
2007	23,916,000	4.6%
2008	24,557,000	2.7%

Source: *Adams Media Liquor Handbook, 2008/2009.*

The model we developed using this consumption data has an R-square of 0.99, meaning that it explains 99% of the variation in rum consumption over the 1985 through 2008 time period. In terms of predictive ability, this R-square indicates a strong model with a high level of statistical significance. This regression model is expressed by the following equation⁷:

Log (U.S. Rum Consumption) =

$$0.96403 * \log(\text{Real U.S. Personal Income}_{t-1}) + 0.03379 * \text{trend} + 7.62286$$

The equation was adjusted using the Cochrane-Orcutt iterative method to correct for autocorrelation, a statistical relation that would otherwise bias coefficient estimates in this case.

Rum consumption was found, as expected, to be positively correlated with income in the previous year. The coefficient of 0.96403 in the equation indicates its demand elasticity with respect to income. That is, a 1% increase in real income leads to a 0.96% increase in consumption. The positive coefficient on the trend variable implies that, sans real income growth, consumption would increase over time, by 0.03% per year.

Once this equation was developed, we used it to project consumption for the 2009 through 2038 time period. Our consumption projections and corresponding growth rates are included in Table 6 below. Graph 2 illustrates actual and projected U.S. rum consumption.

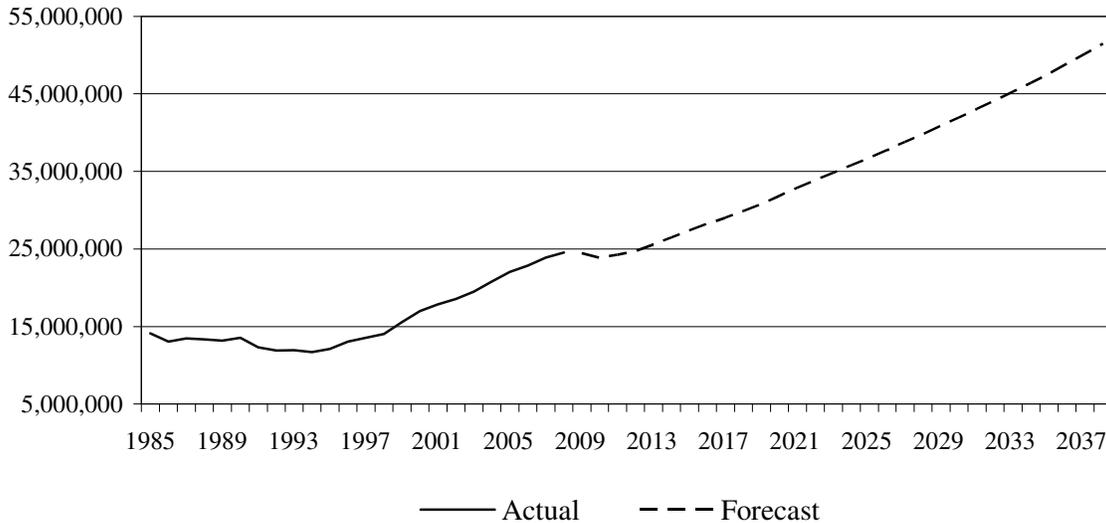
⁷ U.S. rum consumption is measured in 9-liter cases and U.S. real personal income is measured in billions of 2000 U.S. dollars.

Table 6
U.S. Consumption-Based Model
Projected U.S. Rum Consumption, 2009-2038
(9-Liter Cases)

Year	Projected Consumption	Growth Rate
2009	24,456,103	-0.4%
2010	23,911,808	-2.2%
2011	24,248,452	1.4%
2012	24,742,146	2.0%
2013	25,575,156	3.4%
2014	26,478,504	3.5%
2015	27,377,665	3.4%
2016	28,236,081	3.1%
2017	29,052,973	2.9%
2018	29,896,381	2.9%
2019	30,794,844	3.0%
2020	31,816,496	3.3%
2021	32,870,179	3.3%
2022	33,834,798	2.9%
2023	34,796,260	2.8%
2024	35,768,653	2.8%
2025	36,731,682	2.7%
2026	37,734,750	2.7%
2027	38,766,032	2.7%
2028	39,807,380	2.7%
2029	40,875,975	2.7%
2030	41,949,769	2.6%
2031	43,064,299	2.7%
2032	44,151,254	2.5%
2033	45,267,751	2.5%
2034	46,411,120	2.5%
2035	47,615,101	2.6%
2036	48,867,396	2.6%
2037	50,163,223	2.7%
2038	51,481,650	2.6%

Graph 2

U.S. Rum Consumption (9-Liter Cases)



Rum consumption is expected to decline in the near-term, a result of the current protracted US recession and expected slow recovery. Consumption will regain some momentum in 2011, and continue to accelerate through 2013, when growth will exceed 3%. Between 2009 and 2012 we expect rum consumption in the U.S. will grow at an average annual rate of 0.2%, reaching 24.7 million 9-liter cases. This is a more conservative projection than that of the 2008 Adams Liquor Handbook, which shows rum consumption growing 2.5% annually, to reach 27.1 million 9-liter cases by 2012.

Base Projection: Constant Market Share

Assumptions

Under our baseline forecast, we assume that Cruzan and Diageo will maintain a constant share of the U.S. rum market, while Ronrico sales are flat, until each plant reaches its production capacity. The underlying assumptions are the persistence of the tax incentives and subsidies provided by the VI and that both plants will remain in the Virgin Islands until 2038. It is also assumed that there will be no adverse impact on Cruzan production owing to the presence of the Diageo facility, and that the U.S. demand for Cruzan rum is unaffected by the commencement of Diageo production in the VI.

In FY2009 rum shipments from the VI to the US amounted to 8.0 million proof gallons, up 12.2% from FY2008. Because our forecast calls for a moderate decline in US rum consumption during 2009, this implies that Cruzan bulk and branded rum will increase its share of US rum market from 15.3% in FY2008 to 17.3% in FY2009. Production at the VI Cruzan plant has been rising rapidly over the last two years due to Ronrico production and increased investment by

Fortune Brands.⁸ Under our baseline forecast, we assume that Cruzan (exclusive of Ronrico) will be able to maintain its current share of the U.S. market (15.4%) until the plant reaches capacity (14.4 million proof gallons) in FY2035. Ronrico's US market share will have fallen from 1.9% to 1.0% over this time. After reaching capacity, production at the plant will remain constant until FY2038.

Meanwhile, in 2008, Diageo shipments of Captain Morgan to the U.S. amounted to 12.16 million proof gallons, or 26.1% of U.S. rum consumption. We assume that Diageo will be able to maintain this share of the U.S. market until it reaches its capacity of 18 million proof gallons in FY2024. One important thing to note, however, is that in FY2012 shipments from the Diageo plant will be significantly less than capacity as the plant starts up. The plant is expected to come on stream at the end of 2010. It will produce throughout the 12 months of 2011, when it will distill approximately 13.3 million proof gallons of rum, all of which will be stored in a warehouse to mature for 12 months. After 12 months of maturation about 10% of the rum will evaporate and the remaining 12 million proof gallons will be blended into product for sale in 2012. Because the distilled product will be available for shipment only in the final three quarters of fiscal year 2012 (which runs from October 2011 to September 2012), we assume that shipments in this initial fiscal year will amount to just 9 million proof gallons.

⁸ In early 2009 Fortune Brands initiated a distillery improvement project, which increased the plant's production capacity from 8.9 million proof gallons per year, to 10.5 million proof gallons.

Table 7
Projected Shipments - Baseline Scenario, FY 2009-2038

Fiscal Year	Projected Shipments			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2009	7,114,798	881,471		7,996,270
2010	6,956,451	881,471		7,837,923
2011	7,054,388	881,471		7,935,859
2012	7,198,014	881,471	9,000,000	17,079,485
2013	7,440,355	881,471	12,661,435	20,983,261
2014	7,703,157	881,471	13,108,653	21,693,282
2015	7,964,742	881,471	13,553,799	22,400,012
2016	8,214,474	881,471	13,978,773	23,074,718
2017	8,452,125	881,471	14,383,190	23,716,787
2018	8,697,490	881,471	14,800,734	24,379,696
2019	8,958,872	881,471	15,245,534	25,085,878
2020	9,256,093	881,471	15,751,321	25,888,885
2021	9,562,631	881,471	16,272,965	26,717,068
2022	9,843,259	881,471	16,750,517	27,475,248
2023	10,122,969	881,471	17,226,506	28,230,946
2024	10,405,859	881,471	17,707,906	28,995,236
2025	10,686,024	881,471	18,000,000	29,567,496
2026	10,977,838	881,471	18,000,000	29,859,309
2027	11,277,860	881,471	18,000,000	30,159,331
2028	11,580,810	881,471	18,000,000	30,462,281
2029	11,891,687	881,471	18,000,000	30,773,158
2030	12,204,076	881,471	18,000,000	31,085,547
2031	12,528,317	881,471	18,000,000	31,409,788
2032	12,844,535	881,471	18,000,000	31,726,006
2033	13,169,348	881,471	18,000,000	32,050,819
2034	13,501,978	881,471	18,000,000	32,383,449
2035	13,518,529	881,471	18,000,000	32,400,000
2036	13,518,529	881,471	18,000,000	32,400,000
2037	13,518,529	881,471	18,000,000	32,400,000
2038	13,518,529	881,471	18,000,000	32,400,000

Revenue Projection

Assuming that the current federal excise tax rate realized by the VI Government of \$13.25 per proof gallon remains unchanged, we can calculate future revenues from Diageo and Cruzan rum, based on the shipment projections. These results are shown in Table 8 below.

Table 8
Projected Total Revenues (Dollars), FY 2009-2038
Constant Market Share Scenario

Fiscal Year	Projected Revenues			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2009	\$95,140,347	\$11,679,495		\$106,819,842
2010	\$92,172,981	\$11,679,495		\$103,852,476
2011	\$93,470,642	\$11,679,495		\$105,150,137
2012	\$95,373,687	\$11,679,495	\$119,250,000	\$226,303,182
2013	\$98,584,697	\$11,679,495	\$167,764,012	\$278,028,204
2014	\$102,066,836	\$11,679,495	\$173,689,653	\$287,435,983
2015	\$105,532,837	\$11,679,495	\$179,587,832	\$296,800,164
2016	\$108,841,779	\$11,679,495	\$185,218,741	\$305,740,016
2017	\$111,990,659	\$11,679,495	\$190,577,268	\$314,247,423
2018	\$115,241,747	\$11,679,495	\$196,109,724	\$323,030,967
2019	\$118,705,059	\$11,679,495	\$202,003,328	\$332,387,882
2020	\$122,643,227	\$11,679,495	\$208,705,005	\$343,027,726
2021	\$126,704,861	\$11,679,495	\$215,616,789	\$354,001,145
2022	\$130,423,186	\$11,679,495	\$221,944,353	\$364,047,033
2023	\$134,129,338	\$11,679,495	\$228,251,204	\$374,060,037
2024	\$137,877,626	\$11,679,495	\$234,629,758	\$384,186,880
2025	\$141,589,821	\$11,679,495	\$238,500,000	\$391,769,316
2026	\$145,456,353	\$11,679,495	\$238,500,000	\$395,635,848
2027	\$149,431,640	\$11,679,495	\$238,500,000	\$399,611,135
2028	\$153,445,730	\$11,679,495	\$238,500,000	\$403,625,225
2029	\$157,564,850	\$11,679,495	\$238,500,000	\$407,744,345
2030	\$161,704,008	\$11,679,495	\$238,500,000	\$411,883,503
2031	\$166,000,194	\$11,679,495	\$238,500,000	\$416,179,689
2032	\$170,190,087	\$11,679,495	\$238,500,000	\$420,369,582
2033	\$174,493,855	\$11,679,495	\$238,500,000	\$424,673,350
2034	\$178,901,205	\$11,679,495	\$238,500,000	\$429,080,700
2035	\$179,120,505	\$11,679,495	\$238,500,000	\$429,300,000
2036	\$179,120,505	\$11,679,495	\$238,500,000	\$429,300,000
2037	\$179,120,505	\$11,679,495	\$238,500,000	\$429,300,000
2038	\$179,120,505	\$11,679,495	\$238,500,000	\$429,300,000
Total	\$4,104,159,273	\$350,384,850	\$5,862,347,666	\$10,316,891,790

Alternative Projection: Growing Market Share

In addition to our demand-based model, we produced an alternative, more optimistic forecast in which both Cruzan and Diageo increase their share of the U.S. rum market.

Under this scenario, we use the Total Revenue figures in TTB (OMB) reports to project future Matching Fund Revenues from Cruzan's bulk rum shipments. Future earnings are expressed as a function of U.S. real personal income as follows:⁹

Total Matching Fund Revenue =

$$0.00940 * \text{Real Personal Income} + 5.22429 * \text{Step (1995)} + 13.9612 * \text{Step (2008)} - 33.6166$$

The model has an R-square 0.98, meaning that it explains 98% of the variation in Matching Fund revenues for the period between 1988 and 2008. A first order moving average term was included to capture the short-term dynamics of revenues.

Projected revenues from Cruzan's bulk rum shipments are shown in Table 9. As in the Baseline Projection, the U.S. recession will result in sluggish income growth and more moderate growth in shipments over the near term. Still, the projected revenues reflect that Cruzan's (excluding Ronrico) market share of U.S. rum consumption will continue to increase steadily, reaching a peak of 17.7% in FY2028. In FY2029 the plant will reach its production capacity of 14.4 million proof gallons per year. As a result, revenues from Cruzan shipments are expected to remain constant between fiscal year 2029 and 2038. An increasing future VI market share is supported by the assumption that Cruzan's marketing efforts, which have been aimed at attracting "high-end" consumers, continue to be successful. It should be noted that part of the increase in Cruzan's market share of U.S. consumption followed Todhunter's 1994 acquisition of VIRIL and the subsequent expansion of Cruzan's production facilities.¹⁰

To project revenues from Diageo rum under this scenario, we first project Captain Morgan shipments using historical data for 1991-2008 from the Adam's Liquor Handbook. Captain Morgan shipments are expressed as a function of U.S. rum consumption. Captain Morgan has been steadily increasing its share of the U.S. market. This model, which is expressed by the following equation, captures this trend.

Log (Captain Morgan) =

$$1.72167 * \log(\text{U.S. Rum Consumption}) - 13.5066$$

The equation was adjusted using the Cochrane-Orcutt iterative method to correct for autocorrelation and has an R-square 0.99. The coefficient of 1.72167 in the equation indicates a 1% increase in U.S. rum consumption leads to a 1.72% increase in Captain Morgan shipments. This means that Captain Morgan's share of the U.S. rum market will increase from its current

⁹ In the equation Step (1995) is a dummy variable that represents Todhunter's acquisition. Step (2008) is also a dummy variable, and reflects the recent investments made to expand production at the VI plant.

¹⁰ Note that this alternative model, like the consumption-based model also assumes that Cruzan will be able to maintain its current level of production, and will maintain its production facilities in the VI.

26.1% to a peak of 30.6% in FY2019. In FY2020, the Diageo plant will reach capacity and will continue to produce 18 million proof gallons each year until FY2038. Again, as in the baseline forecast, during FY 2012, shipments of rum from the VI plant will be limited to 9 million proof gallons due to production constraints. From the projected shipments we calculate future Matching Fund Revenues from Diageo using the \$13.25 cover over rate. These results are shown in Table 9.

Similarly, since all US Ronrico consumption will be provided under the Cruzan Agreement from the Cruzan plant, we can project shipments of Ronrico eligible for Matching Funds from a model of US Ronrico consumption. That model is captured by the following equation:

Log (Ronrico) =

$$-0.10324 * \log(\text{U.S. Rum Consumption}) + 15.5239$$

The R-square statistic for this equation is just 0.65, a reflection of the small amount of change in US consumption of Ronrico in recent years. Indeed the negative, -0.10324, coefficient indicates a negative trend for Ronrico going forward, resulting in an average decline of 0.3% per year. These results are also included Table 9.

Table 9
Alternative Revenue-Based Model
Projected Total Revenues (Dollars), FY 2009 – 2038
Growing Market Share Scenario

Fiscal Year	Projected Revenues			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2009	\$95,140,347	\$11,679,495		\$106,819,842
2010	\$96,479,778	\$11,706,664		\$108,186,442
2011	\$99,122,632	\$11,689,781		\$110,812,413
2012	\$103,172,544	\$11,665,483	\$119,250,000	\$234,088,027
2013	\$107,480,914	\$11,625,673	\$172,755,252	\$291,861,839
2014	\$111,784,388	\$11,584,087	\$183,394,253	\$306,762,728
2015	\$115,820,566	\$11,544,220	\$194,247,337	\$321,612,123
2016	\$119,758,137	\$11,507,485	\$204,851,570	\$336,117,192
2017	\$123,854,551	\$11,473,654	\$215,161,332	\$350,489,537
2018	\$128,245,119	\$11,439,808	\$226,027,472	\$365,712,398
2019	\$133,247,779	\$11,404,892	\$237,848,762	\$382,501,433
2020	\$138,361,084	\$11,366,530	\$238,500,000	\$388,227,614
2021	\$143,047,557	\$11,328,363	\$238,500,000	\$392,875,920
2022	\$147,723,652	\$11,294,587	\$238,500,000	\$397,518,239
2023	\$152,457,817	\$11,261,963	\$238,500,000	\$402,219,780
2024	\$157,151,132	\$11,229,964	\$238,500,000	\$406,881,096
2025	\$162,044,456	\$11,199,205	\$238,500,000	\$411,743,661
2026	\$167,080,479	\$11,168,100	\$238,500,000	\$416,748,579
2027	\$172,170,733	\$11,137,056	\$238,500,000	\$421,807,789
2028	\$177,399,343	\$11,106,621	\$238,500,000	\$427,005,964
2029	\$179,723,711	\$11,076,289	\$238,500,000	\$429,300,000
2030	\$179,753,322	\$11,046,678	\$238,500,000	\$429,300,000
2031	\$179,783,184	\$11,016,816	\$238,500,000	\$429,300,000
2032	\$179,811,498	\$10,988,502	\$238,500,000	\$429,300,000
2033	\$179,839,791	\$10,960,209	\$238,500,000	\$429,300,000
2034	\$179,867,979	\$10,932,021	\$238,500,000	\$429,300,000
2035	\$179,896,844	\$10,903,156	\$238,500,000	\$429,300,000
2036	\$179,926,026	\$10,873,974	\$238,500,000	\$429,300,000
2037	\$179,955,366	\$10,844,634	\$238,500,000	\$429,300,000
2038	\$179,984,372	\$10,815,628	\$238,500,000	\$429,300,000
Total	\$4,450,085,103	\$337,871,536	\$6,085,035,978	\$10,872,992,617

Alternative Projection: Lower Cover-Over Rate

In fiscal year 2000, the cover-over rate for rum excise taxes paid to the Virgin Islands increased from \$10.50 to the current rate of \$13.25 per proof gallon. In this scenario, we calculate Matching Fund Revenues based on the shipment projections under our Baseline scenario, but assuming the cover-over rate reverts to \$10.50 over the forecast horizon. The results are shown in Table 10.

Table 10
Alternative 10.50 Cover-Over Rate Scenario
Projected Total Revenues (Dollars), FY 2009 – 2038

Fiscal Year	Projected Revenues			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2009	\$74,705,382	\$9,255,449		\$83,960,831
2010	\$73,042,740	\$9,255,449		\$82,298,189
2011	\$74,071,075	\$9,255,449		\$83,326,524
2012	\$75,579,148	\$9,255,449	\$94,500,000	\$179,334,597
2013	\$78,123,722	\$9,255,449	\$132,945,066	\$220,324,237
2014	\$80,883,153	\$9,255,449	\$137,640,857	\$227,779,459
2015	\$83,629,795	\$9,255,449	\$142,314,886	\$235,200,130
2016	\$86,251,976	\$9,255,449	\$146,777,116	\$242,284,541
2017	\$88,747,315	\$9,255,449	\$151,023,496	\$249,026,259
2018	\$91,323,649	\$9,255,449	\$155,407,706	\$255,986,804
2019	\$94,068,160	\$9,255,449	\$160,078,109	\$263,401,718
2020	\$97,188,972	\$9,255,449	\$165,388,872	\$271,833,292
2021	\$100,407,626	\$9,255,449	\$170,866,134	\$280,529,209
2022	\$103,354,223	\$9,255,449	\$175,880,430	\$288,490,102
2023	\$106,291,174	\$9,255,449	\$180,878,313	\$296,424,935
2024	\$109,261,515	\$9,255,449	\$185,933,016	\$304,449,980
2025	\$112,203,255	\$9,255,449	\$189,000,000	\$310,458,703
2026	\$115,267,299	\$9,255,449	\$189,000,000	\$313,522,747
2027	\$118,417,526	\$9,255,449	\$189,000,000	\$316,672,975
2028	\$121,598,503	\$9,255,449	\$189,000,000	\$319,853,952
2029	\$124,862,712	\$9,255,449	\$189,000,000	\$323,118,160
2030	\$128,142,799	\$9,255,449	\$189,000,000	\$326,398,248
2031	\$131,547,323	\$9,255,449	\$189,000,000	\$329,802,772
2032	\$134,867,616	\$9,255,449	\$189,000,000	\$333,123,065
2033	\$138,278,149	\$9,255,449	\$189,000,000	\$336,533,598
2034	\$141,770,766	\$9,255,449	\$189,000,000	\$340,026,215
2035	\$141,944,551	\$9,255,449	\$189,000,000	\$340,200,000
2036	\$141,944,551	\$9,255,449	\$189,000,000	\$340,200,000
2037	\$141,944,551	\$9,255,449	\$189,000,000	\$340,200,000
2038	\$141,944,551	\$9,255,449	\$189,000,000	\$340,200,000
Total	\$3,251,663,776	\$277,663,466	\$4,645,634,000	\$8,174,961,242

Conclusion

Our review of the records that document the Matching Fund Revenue collection and transfer process confirm that annual Matching Fund Revenues transferred to the VI during the FY 1992 through FY 2008 period were consistent with federal excise taxes collected from U.S. distillers on purchases of bulk VI rum and Customs Service duties levied on cased VI rum. The actual advances transferred to the Government are consistent with the projection and adjustment process as described by TTB and OMB. Specifically, actual advances received in each year are reasonably close to the base advances for that year adjusted by the difference between projected and actual earnings for two FYs earlier. While there are years in the verification period when actual transfers did differ from the transfer that would be expected using this projection and adjustment calculation, these differences are relatively small, and are, on balance, immaterial.

IHS Global Insight's Constant Market Share Scenario, which forecasts Matching Fund Revenues as a function of U.S. rum consumption, projects that both the Cruzan and Captain Morgan plants will have reached production capacity by fiscal year 2035. As a result, from that year forward, Matching Fun Revenues will amount to \$429 million a year. Under an alternative, more optimistic scenario, the Growing Market Share Scenario, Matching Fund Revenues amount to \$429 million annually from fiscal 2029 on. In both scenarios the current U.S. recession results in slow growth in rum consumption and shipments over the next few years. Finally, under the Lower Cover-Over Rate Scenario, Matching Fund Revenues reach a peak of \$340 million per year in fiscal year 2035.

All scenarios assume that Cruzan and Diageo will maintain operations in the VI until fiscal 2038, and will be able to maintain production levels to meet future demand. IHS Global Insight found that, given the economic incentives provided to Cruzan by the Government for maintaining operations in the VI, and increasing them under the terms of the Cruzan Agreement, it was reasonable to assume that Cruzan will maintain its operations in the VI. Similarly, Diageo will receive significant incentives to produce all its U.S. distribution of Captain Morgan rum in the new St Croix distillery for 30 years starting in 2012.

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APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE OF THE AUTHORITY

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FORM OF THE CONTINUING DISCLOSURE CERTIFICATE OF THE AUTHORITY

This Continuing Disclosure Certificate (the “Disclosure Certificate”), dated December 17, 2009, is executed and delivered by the Virgin Islands Public Finance Authority (the “Authority”) in connection with the issuance of its \$39,190,000 Virgin Islands Public Finance Authority Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note – Cruzan Project), Series 2009A (the “Series 2009A Bonds”). Capitalized terms used in this Certificate which are not otherwise defined herein shall have the respective meanings given to such terms in the Official Statement with respect to the Series 2009A Bonds, dated December 8, 2009 (the “Official Statement”).

The Undertaking

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered for the benefit of the holders of the Series 2009A Bonds and delivered in order to assist the underwriters of the Series 2009A Bonds (the “Underwriters”) in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

2. Disclosure. (a) So long as the Series 2009A Bonds are outstanding, the Authority shall provide certain financial and operating information (“Continuing Disclosure”) to the Municipal Securities Rulemaking Board (“MSRB”) and the state information depository (“SID”), if any, in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) within 270 days after the end of the Authority’s Fiscal Year, Annual Financial Information with respect to each Fiscal Year of the Authority, commencing with the Fiscal Year ending on or after September 30, 2009. “Annual Financial Information” means, collectively: (A) Audited Financial Statements for the Authority prepared in accordance with generally accepted accounting principles; (B) Audited Financial Statements of the Government prepared in accordance with generally accepted accounting principles, if available (or, in the event that such Audited Financial Statements of the Government are not available, in substitution therefore, unaudited financial statements of the Government”); and (c) an update of the tabular information presented in the Official Statement under the headings “MATCHING FUND REVENUES” and “THE RUM INDUSTRY” and an update of the information under the heading “VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY – Outstanding Indebtedness of the Authority”;

(ii) the Authority shall provide, within forty-five (45) days of the end of each quarter of each Fiscal Year, quarterly summaries of the information provided by the Virgin Islands Bureau of Alcohol Control Board on rum shipments and excise taxes collected as reported by the Bureau of Alcohol, Tobacco and Firearms submitted to the United States Department of the Interior with respect to Matching Fund Revenues;

(iii) During construction of the Cruzan Wastewater Treatment Project, the Authority shall provide, or cause to be provided by Cruzan, within forty-five (45) days of the end of each quarter of each Fiscal Year, updates on the construction progress of the Cruzan Wastewater Treatment Project against the plans for completion of construction by September 1, 2011;

(iv) With respect to the Cruzan Facility, the Authority promptly shall provide, or cause to be provided by Cruzan, information with respect to any interruption of production that could materially adversely affect the supply of rum products to be sold by Cruzan

in the U.S. and any material deviation from the production plans set forth in the Cruzan Agreement;

(v) During construction of the Diageo Project, the Authority shall provide, or cause to be provided by Diageo USVI, within forty-five (45) days of the end of each quarter of each Fiscal Year, updates on the construction progress of the Diageo Project against the plans for completion of construction by November 2010;

(vi) Upon completion of the construction of the Diageo Project until the commencement of rum exportation from the Virgin Islands to the U.S. mainland, the Authority promptly shall provide, or cause to be provided by Diageo USVI: (i) confirmation that distillation of the rum at the Distillery has commenced as planned by November 2010; (ii) information with regard to any changes in the date for commencement of exportation of rum from the Virgin Islands to the U.S. mainland; and (iii) confirmation when exportation from the Virgin Islands begins, specifying the number of proof gallons of bulk rum initially exported and whether such quantities are consistent with the production plans set forth in the Diageo Agreement; and

(vii) After the Diageo Project becomes fully operational, the Authority promptly shall provide, or cause to be provided by Diageo USVI, information with respect to any interruption of production that could materially adversely affect the supply of rum used to manufacture Captain Morgan branded products to be sold in the U.S. and any material deviation from the production plans set forth in the Diageo Agreement.

The descriptions contained in clause 2(a)(i)(C) above, constituting Annual Financial Information, are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Similarly, when the operating data described in clauses 2(a)(iii)-(vii) can no longer be generated because the operations to which it related have been materially changed or discontinued, including in the event of termination of the Diageo Agreement, a statement to that effect shall be provided in lieu of such information.

(b) All or any portion of Annual Financial Information may be incorporated therein by cross reference to any other documents which are (i) available to the public on the MSRB Internet website (currently, www.emma.msrb.org), or (ii) filed with the SEC.

(c) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(d) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(e) The Authority will provide in a timely manner to the MSRB notice specifying any failure of the Authority to provide the Continuing Disclosure by the date specified.

VIRGIN ISLANDS PUBLIC FINANCE
AUTHORITY

Attest:

Debra E. Gottlieb
Secretary

By: _____
Name: Angel E. Dawson, Jr.,
Title: Executive Director

ACKNOWLEDGED AND ACCEPTED BY:

Government of the Virgin Islands

Cruzan VIRIL, Ltd., but solely with respect to the
information to be provided in clauses 2(a)(iii)-(iv)
hereof

By: _____
Angel E. Dawson, Jr.,
Commissioner of Finance

By: _____

Diageo USVI, Inc., but solely with respect to the
information to be provided in clauses 2(a)(v)-(vii)
hereof

By: _____

Date: December 17, 2009

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APPENDIX I

FORM OF OPINION OF BOND COUNSEL TO THE AUTHORITY

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FORM OF OPINION OF BOND COUNSEL TO THE AUTHORITY

December 17, 2009

Virgin Islands Public Finance Authority
St. Thomas, Virgin Islands

The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

Ladies and Gentlemen:

We have examined a Record of Proceedings relating to the issuance of \$39,190,000 Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note - Cruzan Project) Series 2009A (the "Series 2009A Bonds") of the United States Virgin Islands Public Finance Authority (herein called the "Authority"), a body corporate and politic, constituting a public corporation and autonomous governmental instrumentality of the Government of the United States Virgin Islands (the "Government"), organized and existing under and pursuant to the Revised Organic Act of 1954, as amended (48 U.S.C. Section 1574 et. seq.) (the "Revised Organic Act") and the Virgin Islands Public Finance Authority Act (Title 29, Chapter 15, of the Virgin Islands Code), as amended, 2009 V.I. Act 7127 (collectively, the "Act"), and Resolution No. 09-041, dated November 24, 2009 (the "Bond Resolution").

The Series 2009A Bonds are issued under and pursuant to the Revised Organic Act, the Act, the Bond Resolution, a Subordinated Indenture of Trust, dated as of December 1, 2009 (the "Subordinated Indenture of Trust"), as supplemented by a First Supplemental Subordinated Indenture of Trust dated as of December 1, 2009 (the "First Supplemental Subordinated Indenture" and, together with the Subordinated Indenture of Trust, the "Subordinated Indenture"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as trustee (the "Trustee") (collectively, the "Subordinated Indenture"). All terms not otherwise defined herein shall have the meanings set forth in the Subordinated Indenture.

The Series 2009A Bonds shall be equally and ratably secured by the Subordinated Indenture, which pledges and assigns to the Trustee a lien on and security interest in the Cruzan Trust Estate, subject to the provisions of the Subordinated Indenture. The Series 2009A Bonds shall be subject and subordinate in all respects to the payment of and security interest of all bonds issued and to be issued pursuant to the Indenture of Trust, Revenue and Refunding Bonds (Virgin Islands Matching Fund Loan Notes), dated as of May 1, 1998, as amended and supplemented, by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as Senior Trustee (the "Senior Indenture").

The proceeds of the Series 2009A Bonds are being loaned by the Authority to the Government, in accordance with the terms of the Agreement between Cruzan VIRIL, Ltd. ("Cruzan") and the Government, dated as of October 6, 2009, and pursuant to a Loan Agreement, dated as of December 1, 2009, by and among the Authority, the Government and the Trustee (the "Series 2009A Loan Agreement"), against delivery by the Government of its \$39,190,000 principal amount 2009A Matching Fund Loan Note - Cruzan Project (the "Series 2009A Loan Note").

The Series 2009A Bonds shall be dated, shall mature, shall be subject to redemption prior to maturity and shall have such other terms as set forth in the Subordinated Indenture.

The proceeds of the Series 2009A Bonds will be used to (i) make a loan to the Government to provide a grant to Cruzan to finance the costs of the development, acquisition, design, construction and installation of a wastewater treatment facility and to fund certain preliminary costs of the alteration, upgrade, expansion and renovation of the Cruzan distillery; (ii) fund the Series 2009A Senior Lien Debt Service Reserve Subaccount in an amount to meet the Series 2009A Debt Service Reserve Requirement; and (iii) pay certain costs of issuing the Series 2009A Bonds.

Pursuant to the Subordinated Indenture, the Authority is authorized to issue Additional Bonds from time to time upon the terms and conditions therein set forth.

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 2009A Bonds in order that interest on the Series 2009A Bonds will be and remain excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of gross proceeds of the Series 2009A 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 2009A 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 Authority and Cruzan have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Series 2009A Bonds from gross income under Section 103 of the Code. In rendering the opinion in paragraph four hereof, we have assumed that the Authority and Cruzan will comply with the provisions and procedures set forth in the Arbitrage and Use of Proceeds Certificate.

We are of the opinion that:

1. The Authority is duly created and validly existing under the provisions of the Act and the Revised Organic Act.

2. The Subordinated Indenture has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the Trustee, is valid and binding upon the Authority and enforceable in accordance with its terms. The Subordinated Indenture creates the valid pledge which it purports to create of the Cruzan Trust Estate, moneys, securities and funds held or set aside under the Subordinated Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Subordinated Indenture.

3. The Series 2009A Bonds are valid and binding special limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Subordinated Indenture and entitled to the benefits of the Subordinated Indenture, the Revised Organic Act, and the Act, and the Series 2009A Bonds have been duly and validly authorized and issued in accordance with law (including the Act and the Revised Organic Act) and the Subordinated Indenture.

4. Under existing statutes and court decisions, interest on the Series 2009A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Series 2009A Bonds is not treated as a preference item in calculating the alternative minimum taxable income imposed on individuals and corporations under the Code, and such interest is not included in the adjusted current earnings of corporations for purposes of calculating the alternative

minimum tax. Under existing statutes, interest on the Series 2009A Bonds is also exempt from any income tax imposed on individuals by the Government or any political subdivision thereof or by any state, territory or possession or by any political subdivisions thereof or by the District of Columbia pursuant to the Revised Organic Act and the Virgin Islands Code.

This opinion is issued as of the date hereof, and we assume no obligation to (i) update, revise or supplement this opinion to reflect any actions hereafter taken or not taken, or any facts or circumstances, or any changes in law or interpretations thereof, that may hereafter occur, or for any other reason whatsoever, (ii) notify you or any other person if the conditions stated in paragraph four above have not been met, or (iii) review any legal matters incident to the authorization, issuance, validity and tax exemption of the Series 2009A Bonds, or the purposes to which the proceeds thereof are to be applied, after the date hereof.

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. It is understood that the rights of the holders of the Series 2009A Bonds under the Subordinated Indenture and the enforceability thereof under the same may be subject to the exercise of judicial discretion, the sovereign police powers of the Virgin Islands and the constitutional powers of the United States of America, and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or remedies and are subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

We have examined the executed Series 2009A Bonds and, in our opinion, the form of said Series 2009A Bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX J

DTC BOOK-ENTRY ONLY SYSTEM

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DTC BOOK-ENTRY ONLY SYSTEM

The description that follows of the procedures and record keeping with respect to beneficial ownership interests in the Series 2009A Bonds, payments of principal, premium, if any, and interest on the Series 2009A Bonds to DTC, its nominee, Participants, or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series 2009A Bonds and other bond-related transactions by and between DTC, Participants and Beneficial Owners is based on information furnished by DTC.

The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Series 2009A Bonds. The Series 2009A 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 Series 2009A Bond will be issued for the Series 2009A Bonds in the aggregate principal amount of each maturity, and will be deposited with DTC.

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

Purchases of the Series 2009A Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for such Series 2009A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2009A Bond (the “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 Series 2009A 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 Series 2009A Bonds, except in the event that use of the book-entry system for the Series 2009A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009A 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 the Series 2009A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2009A 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.

So long as a book-entry system is used for determining beneficial ownership of the Series 2009A Bonds, the Trustee is to send redemption notice to DTC or to Cede & Co., as partnership nominee for DTC. Any failure of DTC to advise any Participant, or of any Direct Participant or Indirect Participant to notify the actual purchaser of each Series 2009A Bond, or any such notice of its content or effect does not affect the validity of the redemption of the Series 2009A Bonds called for redemption or any other action premised on that notice. In the event of a call for optional redemption, the Authority's notification to DTC initiates DTC's standard call; and if a partial call, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2009A Bonds to be redeemed, and each such Participant then selects by lot the ownership interest in such Series 2009A Bonds to be redeemed. When DTC and its Participants allocate the call, the Beneficial Owners of the book-entry interests called are to be notified by the broker or other organization responsible for maintaining the records of those interests and subsequently credited by that organization with the process once the Series 2009A Bonds are redeemed.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE SERIES 2009A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND OF ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES 2009A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2009A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 Series 2009A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2009A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee 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 Trustee, or the Authority, subject to any statutory or regulatory requirement as may be in effect from time to time. Payment of principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2009A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009A Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2009A Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2009A Bonds, as partnership nominee for DTC, references herein to Bondholders or registered owners of the Series 2009A Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co. and shall not mean the Beneficial Owners of the Series 2009A Bonds.

When reference is made 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.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO., ANY DTC PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (ii) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2009A BONDS; (iii) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009A BONDS; (iv) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2009A BONDS; (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF THE SERIES 2009A BONDS; OR (vi) ANY OTHER MATTER.

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