NEW ISSUE – BOOK-ENTRY-ONLY **Ratings: See "RATINGS" herein.**

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 2013A 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 2013A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Series 2013A 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."

$36,000,000
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Revenue Refunding Bonds
(Virgin Islands Matching Fund Loan Note),
Series 2013A (Senior Lien)

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

The Virgin Islands Public Finance Authority Revenue Refunding Bonds (Virgin Islands Matching Fund Loan Note), Series 2013A (Senior Lien) (the "Series 2013A Bonds") are being issued pursuant to (i) the Act (as defined herein), (ii) Resolution No. 13-008, adopted by the Virgin Islands Public Finance Authority (the "Authority") on August 21, 2013, and (iii) the Indenture of Trust, dated as of May 1, 1998, as previously amended and supplemented, and as further supplemented by the Eighth Supplemental Indenture of Trust, dated as of September 1, 2013 (collectively, the "Indenture"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). The Trustee is located in Jacksonville, Florida, and also will act as Bond Registrar, Paying Agent and Special Escrow Agent (each as defined herein) for the Series 2013A Bonds.

The Series 2013A Bonds will be secured by the Series 2013A Loan Note (as defined herein), which will be issued to the Authority by the Government of the United States Virgin Islands (the "Government") pursuant to the Loan Agreement, dated as of September 1, 2013, by and among the Authority, the Trustee and the Government (the "Series 2013A Loan Agreement").

The Series 2013A Bonds will bear interest at a fixed rate as described herein and are issuable in minimum denominations of $100,000 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 2013A Bonds will be available for purchase in book-entry-only form.

The Series 2013A Bonds will be subject to redemption as described herein. Interest on the Series 2013A Bonds will be payable semiannually on April 1 and October 1, commencing April 1, 2014.

The scheduled payment of principal of and interest on the Series 2013A Bond maturing on October 1, 2024 (CUSIP No. 927676SH0; interest rate 5.25%) (the "Insured Bond"), when due, will be guaranteed under an insurance policy to be issued by **ASSURED GUARANTY MUNICIPAL CORP** concurrently with the delivery of the Insured Bond.

The Series 2013A Bonds are being issued by the Authority to (i) refund portions of the Prior Bonds (as defined herein), (ii) pay the costs and expenses of issuing and delivering the Series 2013A Bonds and (iii) fund the amount necessary, if any, to meet the Series 2013A Senior Lien Debt Service Reserve Requirement for the Series 2013A Bonds.

The Series 2013A Bonds are special limited obligations of the Authority payable from and secured by a pledge of the Trust Estate, which includes certain funds established under the Indenture. The Series 2013A Loan Note is a special limited obligation of the Government and are solely secured by a pledge of revenues received by the Government from the United States Department of the Treasury (the "U.S. Treasury") as a transfer of a portion of the federal excise taxes imposed and collected under the Code in any fiscal year on rum that is produced 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 "Matching Fund Revenues"). The Series 2013A Bonds are being issued on a parity basis with all outstanding Senior Lien Bonds and any additional Senior Lien Bonds hereafter issued pursuant to the Indenture.

The Series 2013A 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 Series 2013A Bonds be evidence of a debt of the United States of America or the United States Virgin Islands nor shall the United States of America or the United States Virgin Islands be liable thereon. The taxing power of the Government is not pledged to the Series 2013A Loan Note or the Series 2013A Bonds. The Authority has no taxing power.

The Series 2013A Bonds are being offered to purchasers through a limited offering. Each purchaser, by placing an order for the purchase of the Series 2013A Bonds, will be deemed to have acknowledged that Jefferies (as defined herein), Bostonia (as defined herein) and the Authority are relying on the representations and warranties made by purchasers of the Series 2013A Bonds so that the offering may qualify for the limited offering exemption set forth in Section (d)(1) of Rule 15c2-12 (as defined herein). Each purchaser will be deemed to have made to Jefferies, Bostonia and the Authority the representations and warranties set forth herein under the caption "PLAN OF DISTRIBUTION – Purchaser Representations" and the sale of the Series 2013A Bonds to each purchaser is made in reliance on such representations and warranties.

The purchase and ownership of the Series 2013A Bonds involve certain investment risks. The information contained on the cover of this Limited Offering Memorandum is a summary only. Prospective purchasers of the Series 2013A Bonds are cautioned to read this Limited Offering Memorandum in its entirety.

The Series 2013A Bonds are offered subject to prior sale, when, as and if issued by the Authority and accepted by Jefferies and Bostonia, subject to the approval of legality by Hawkins Delafield & Wood LLP, 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. Certain legal matters will be passed upon for the Government by the Office of the Attorney General of the Government. Hawkins Delafield & Wood LLP, Disclosure Counsel to the Authority, will deliver an opinion regarding certain matters to the Authority, the Government, Jefferies and Bostonia. Certain legal matters will be passed upon for Jefferies and Bostonia by their counsel, Ballard Spahr LLP, Washington, D.C. Jefferies and Bostonia have agreed to use their best efforts to solicit offers to purchase the Series 2013A Bonds from one or more purchasers, as described herein. It is expected that the Series 2013A Bonds will be available for delivery through the facilities of DTC in New York, New York on or about September 19, 2013.

Jefferies **Bostonia Global Securities LLC**

Dated: September 10, 2013

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND PRICES

$36,000,000
Virgin Islands Public Finance Authority
Revenue Refunding Bonds
(Virgin Islands Matching Fund Loan Note),
Series 2013A (Senior Lien)

$19,990,000 5.00% Term Bond due October 1, 2018, yield 3.00%, price 109.278%, CUSIP[*] 927676SG2

$12,000,000 5.25% Term Bond[**] due October 1, 2024, yield 4.55%, price 106.017%, CUSIP[*] 927676SH0

$4,010,000 5.00% Term Bond due October 1, 2024, yield 4.70%, price 102.558%, CUSIP[*] 927676SJ6

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[*] The CUSIP numbers for the Series 2013A 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 2013A Bonds or as indicated above.

[**] Insured.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

32-33 Kongens Gade
Charlotte Amalie
St. Thomas, United States Virgin Islands 00802
www.USVIPFA.com
Angel E. Dawson, Jr., Acting Director of Finance and Administration

BOARD OF DIRECTORS

The Honorable John P. deJongh, Jr., Governor – Chairman (*ex-officio*)
Angel E. Dawson, Jr., Commissioner of Finance – Executive Director (*ex-officio*)
Debra E. Gottlieb, Director of the Office of Management and Budget – Secretary (*ex-officio*)
Pablo O'Neill – St. Croix Representative*
Keith C. O'Neale, Jr. – St. Croix Representative*

TRUSTEE, BOND REGISTRAR, PAYING AGENT AND SPECIAL ESCROW AGENT

The Bank of New York Mellon Trust Company, N.A.
Jacksonville, Florida

BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP

FINANCIAL ADVISOR

Fiscal Strategies Group
Berkeley, California

* While the terms of Messrs. O'Neill and O'Neale, Jr. have expired, they continue to serve on the Board of Directors until successors are appointed. As of the date hereof, no successors have been appointed.

This Limited Offering Memorandum is furnished in connection with the sale of securities as referred to herein 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. The delivery of this Limited Offering Memorandum, including the Appendices attached hereto, does not imply 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, broker, salesperson or other person has been authorized by the Authority, the Government, Jefferies or Bostonia to give any information or to make representations other than as contained in this Limited Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the Government, Jefferies or Bostonia. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013A Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Limited Offering Memorandum has been obtained from the Authority, the Government, Cruzan VIRIL, Ltd. ("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 representatives of the Government, the Authority, Cruzan, Diageo USVI and Global Insight. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the Government since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The order and placement of materials in this Limited Offering Memorandum, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Limited Offering Memorandum, including the appendices, must be considered in its entirety. The captions and headings in this Limited Offering Memorandum are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Limited Offering Memorandum. The offering of the Series 2013A Bonds is made only by means of this entire Limited Offering Memorandum.

The statements contained in this Limited Offering Memorandum and appendices hereto and in any other information provided by the Authority, the Government, Jefferies, Bostonia, Cruzan, Diageo USVI, Global Insight and other parties to the transactions described herein that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "illustrate," "example," and "continue," or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Limited Offering Memorandum are based on information available to such parties on the date hereof, and the Authority, the Government, Jefferies and Bostonia assume no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes

or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Limited Offering Memorandum and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the Series 2013A Bonds.

Jefferies and Bostonia have reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but Jefferies and Bostonia do not guarantee the accuracy or completeness of such information.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2013A Bonds or the advisability of investing in the Series 2013A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Limited Offering Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and APPENDIX I - "SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

This Limited Offering Memorandum is being provided to prospective purchasers either in bound printed form ("Original Bound Format") or in electronic format on the following website: http://www.munios.com. This Limited Offering Memorandum may be relied upon only if it is in its Original Bound Format or if it is printed in full directly from such website.

Table of Contents

APPENDICES

LIMITED OFFERING MEMORANDUM

$36,000,000
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Revenue Refunding Bonds
(Virgin Islands Matching Fund Loan Note),
Series 2013A (Senior Lien)

INTRODUCTION

The Virgin Islands Public Finance Authority (the "Authority") has prepared this Limited Offering Memorandum in connection with the sale of its $36,000,000 Virgin Islands Public Finance Authority Revenue Refunding Bonds (Virgin Islands Matching Fund Loan Note), Series 2013A (Senior Lien) (the "Series 2013A Bonds").

This Limited Offering Memorandum consists of the cover page, inside cover page, the Table of Contents and each of the Appendices attached hereto. This Limited Offering Memorandum is dated as of the date set forth on the cover page. The Series 2013A Bonds may not be suitable for all investors. Prospective purchasers of the Series 2013A Bonds should read this Limited Offering Memorandum in its entirety. The descriptions and summaries of the various documents referred to herein do not purport to be comprehensive or definitive, and all such descriptions or summaries are qualified in their entirety by reference to the complete documents. Copies of the referenced documents are available at the offices of the Trustee (as defined below) at 10161 Centurion Parkway, Jacksonville, Florida 32256 (904-645-1912), and at the offices of the Authority at 32-33 Kongens Gade, Charlotte Amalie, St. Thomas, United States Virgin Islands 00802 (340-714-1635); Attention: Acting Director of Finance and Administration.

GENERAL DESCRIPTION OF THE BONDS

Authorization

The Series 2013A Bonds are being issued pursuant to (i) the Virgin Islands Revised Organic Act, 48 U.S.C. 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 and 2013 V.I. Act 7509, and other applicable law, as the same may be amended from time to time (collectively, with the Revised Organic Act, the "Act"), (ii) Resolution No. 13-008, adopted by the Authority on August 21, 2013 (the "Resolution"), and (iii) the Indenture of Trust, dated as of May 1, 1998, as previously amended and supplemented, and as further supplemented by the Eighth Supplemental Indenture of Trust, dated as of September 1, 2013 (collectively, the "Indenture"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). The Trustee is located in Jacksonville, Florida, and will also act as Bond Registrar, Paying Agent, and Special Escrow Agent (each as defined herein) for the Series 2013A Bonds.

The Series 2013A Bonds will be secured by a special limited obligation Series 2013A Matching Fund Loan Note (the "Series 2013A Loan Note"). The Series 2013A Loan Note will be issued to the Authority by the Government of the United States Virgin Islands (the "Government") pursuant to the Loan Agreement, dated as of September 1, 2013, by and among the Authority, the Trustee and the Government (the "Series 2013A Loan Agreement").

All capitalized terms not defined in this Limited Offering Memorandum have the meanings ascribed to them in APPENDIX A – "GLOSSARY OF CERTAIN DEFINED TERMS."

Purpose of the Issue

The Series 2013A Bonds are being issued by the Authority to (i) refund portions of the Authority's outstanding (A) Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2004A (Senior Lien) (the "Series 2004A Bonds"), (B) Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2009A-1 (Senior Lien/Capital Projects/Tax Exempt) (the "Series 2009A-1 Bonds") and (C) Refunding Bonds (Virgin Islands Matching Fund Loan Note), Series 2009B (Senior Lien/Refunding) (the "Series 2009B Bonds," and together with the Series 2004A Bonds and the Series 2009A-1 Bonds, the "Prior Bonds"), (ii) pay the costs and expenses of issuing and delivering the Series 2013A Bonds and (iii) fund the amount necessary, if any, to meet the Series 2013A Senior Lien Debt Service Reserve Requirement for the Series 2013A Bonds. The Prior Bonds to be refunded are set forth in APPENDIX H.

Security and Source of Payment

The Series 2013A Bonds, together with all outstanding Bonds issued under the Indenture (the "Outstanding Senior Lien Bonds") and any Additional Bonds hereafter issued under the Indenture, are payable and secured by a pledge of the Trust Estate (as defined herein), including, without limitation, the Series 2013A Loan Note. The Series 2013A Loan Note is a special limited obligation of the Government and is secured by the pledge and assignment of federal excise taxes collected on rum produced in the Virgin Islands and exported to the United States (the "Matching Fund Revenues," as further defined below). The Series 2013A Loan Note is secured on a parity basis with prior Matching Fund Loan Notes securing Outstanding Senior Lien Bonds and any Matching Fund Loan Notes securing any Additional Senior Lien Bonds issued under the Indenture. See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013A BONDS."

Matching Fund Revenues

"Matching Fund Revenues" are those revenues received by the Government from the United States Department of the Treasury (the "U.S. Treasury"), through the Secretary of the United States Department of Interior ("DOI"), as a transfer of federal excise taxes imposed and collected under the Internal Revenue Code of 1986, as amended (the "Code"), on any product that is subject to federal excise tax that is produced in the Virgin Islands and exported to the United States, referred to herein as the "Matching Fund Act." Rum is the only product currently produced in the Virgin Islands and exported to the United States that is subject to the Matching Fund Act. 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."

PLAN OF DISTRIBUTION

Purchaser Representations

Each purchaser, by placing an order for the purchase of the Series 2013A Bonds, will be deemed to have made the following representations to Jefferies (as defined below) and Bostonia (as defined below) and the Authority, and the sale of the Series 2013A Bonds to each purchaser is made in reliance thereon:

(i) Each purchaser of the Series 2013A Bonds has confirmed that the Series 2013A Bonds will be acquired for investment for such purchaser's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that such purchaser has no present intention of selling, granting any participation in, or otherwise distributing the Series 2013A Bonds. By purchasing the Series 2013A Bonds, each purchaser has further represented that such purchaser does not currently have any contract, undertaking, agreement, or arrangement with any person to sell, transfer, or grant participations to such person or to any third-party, with respect to any of the Series 2013A Bonds.

(ii) Each purchaser of the Series 2013A Bonds has confirmed its understanding that the offering of the Series 2013A Bonds is being made (a) in reliance on the limited offering exemption of Section (d)(1) of Rule 15c2-12 ("Rule 15c2-12") of the Securities Exchange Act of 1934 (the "Exchange Act"), (b) without registration under, and in reliance upon an exemption from, the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") and (c) only to institutional investors under applicable state "blue sky" securities laws that are Qualified Buyers. A "Qualified Buyer," for purposes of this Limited Offering Memorandum, means a Qualified Institutional Buyer within the meaning of Rule 144A under the Securities Act (17 C.F.R. § 230.144A) ("Rule 144A"); provided, however, that, in the case of a family of investment companies as defined in Rule 144A that have the same investment adviser and own in the aggregate at least $100 million in securities other than the Series 2013A Bonds, each investment company member shall be considered a Qualified Buyer; and provided further, however, that, a purchaser who, in the opinion of Jefferies and Bostonia, otherwise satisfies the requirements of Section (d)(1)(i) of Rule 15c2-12 without regard to their status as "qualified institutional buyer" also shall (upon consent of the Authority) be considered a Qualified Buyer. Section (d)(1)(i) of Rule 15c2-12 provides that Rule 15c2-12 will not apply to a primary offering of municipal securities in authorized denominations of $100,000 or more, if such securities are sold to no more than thirty-five (35) persons each of whom Jefferies and Bostonia reasonably believe (1) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the prospective investment and (2) is not purchasing for more than one account or with a view to distributing the securities.

(iii) Each purchaser also has confirmed its understanding that any transfer or resale of the Series 2013A Bonds will be restricted to a Qualified Buyer until such time as the transfer and resale restrictions described herein are eliminated. See "– Elimination of Transfer and Resale Restrictions."

(iv) Each purchaser of the Series 2013A Bonds has confirmed its understanding that no public market currently exists for the Series 2013A Bonds and that the Authority makes no assurances that any such public market for the Series 2013A Bonds will exist in the future.

(v) Each purchaser of the Series 2013A Bonds has confirmed that at the time such purchaser was offered the Series 2013A Bonds, it was, and on the date it purchases the Series 2013A

Bonds it is, a Qualified Buyer. Each purchaser has confirmed that it is not a broker-dealer registered under Section 15(a) of the Exchange Act or an entity engaged in the business of being a broker dealer.

(vi) Each purchaser of the Series 2013A Bonds, either alone or together with its representatives, has represented that it has such knowledge, sophistication, and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Series 2013A Bonds and has so evaluated the merits and risks of such investment. Each purchaser understands that it may be required to bear the economic risk of this investment in the Series 2013A Bonds indefinitely. Each purchaser has represented that it is able to bear such economic risk and would be able to afford a complete loss of its investment in the Series 2013A Bonds.

(vii) Each purchaser has acknowledged that Jefferies and Bostonia are relying on the representations and warranties made by such purchaser to qualify for the limited offering exemption set forth in Section (d)(1)(i) of Rule 15c2-12.

Other Limited Offering Information

It is expected that delivery of the Series 2013A Bonds will be made only in book-entry form through the same day funds settlement system of the Depository Trust Company ("DTC") on or about September 19, 2013. See "THE SERIES 2013A BONDS – Book-Entry-Only System."

There can be no assurance that a secondary market for the Series 2013A Bonds will develop or, if it does develop, that it will continue or that the prices at which the Series 2013A Bonds will sell in the market after this offering will not be lower or higher than the initial offering price.

Jefferies LLC ("Jefferies") and Bostonia Global Securities LLC ("Bostonia") may be contacted at their respective principal offices as follows: (i) Jefferies LLC, 520 Madison Avenue, 8th Floor, New York, NY 10022, telephone: (212) 336-7022 and (ii) Bostonia Global Securities LLC, One Exeter Plaza, 699 Boylston Street, 7th Floor, Boston, MA 02116, telephone: (617) 437-0150.

Elimination of Transfer and Resale Restrictions

Pursuant to the Bond Purchase Agreement (as defined herein), the Authority and the Government will advise in writing Jefferies, or another qualified broker-dealer, when they determine that they are in compliance with their existing continuing disclosure agreements under Rule 15c2-12. Upon such determination, the Authority, at its own cost and expense, will engage the services of an independent third party, mutually agreeable to the Authority and Jefferies (or another qualified broker-dealer) to prepare a report as to whether the Authority and the Government are in compliance with their existing continuing disclosure agreements. If the report concludes that such compliance has been achieved, the Authority will prepare a notice that the requirements of Rule 15c2-12 have been satisfied (such notice to be posted on EMMA (as defined herein)). Upon (i) the receipt of the independent third party report that the Authority and the Government are in compliance with their respective continuing disclosure agreements, (ii) the posting of the notice described above, and (iii) the posting on EMMA of this Limited Offering Memorandum (as the same may be amended or supplemented) plus any more recent disclosure documents prepared by the Authority or the Government relating to securities that are payable (on a senior or subordinate basis) from Matching Fund Revenues, the transfer and resale restrictions on the Series 2013A Bonds will cease. There can be no guarantees that the events described in this paragraph will transpire or that the transfer and resale restrictions for the Series 2013A Bonds will be eliminated.

The Authority and the Government have entered into a number of continuing disclosure agreements in connection with bonds previously issued by the Authority. During the past five years, the Authority and the Government consistently have provided incomplete annual continuing disclosure filings, principally due to the failure to provide audited financial statements on a timely basis. See Table 1 below.

Since 2005, the Government has not satisfied the provisions of its continuing disclosure agreements to provide audited financial statements within 270 days after the end of its fiscal year. The filings for fiscal years 2005-2011 were made between 21 and 30 months after the end of the respective fiscal years, and the next filing relating to fiscal year 2012 is expected to be made not earlier than 14 months after the end of that fiscal year. The Government's current aspiration is to file when due (June 30, 2014) the audited financial statements for the fiscal year ending September 30, 2013. The Government advised in July 2010 that it had "established new policies and procedures that [it] believe[s] will ensure full and timely compliance with all continuing disclosure obligations in the future." However, the Government's failures to file timely annual audited financial statements nevertheless continued. Accordingly, the current aspirational date of compliance by June 30, 2014, must be read in that light. The Series 2013A Bonds are subject to transfer and resale restrictions until such time as the Authority and the Government are in compliance with their continuing disclosure agreements and meet all of the requirements set forth in the preceding paragraph.

There can be no assurances that the current aspirational date of compliance will be achieved or that the transfer and resale restrictions on the Series 2013A Bonds will be eliminated. The chart below summarizes the Government's actual and projected filings of its audited financial statements over the period covering fiscal years 2005 through 2012.

Table 1. Audited Financial Statements - Actual and Projected Filings

Fiscal Year Ending Sept. 30,	Filing Deadline under applicable Continuing Disclosure Agreement (270 Days after End of Fiscal Year)	Actual / Projected Date Filed	Period after Fiscal Year Ends
2005	June 30, 2006	January 18, 2008	28 months
2006	June 30, 2007	March 16, 2009	30 months
2007	June 30, 2008	October 15, 2009	25 months
2008	June 30, 2009	September 1, 2010	23 months
2009	June 30, 2010	July 25, 2011	22 months
2010	June 30, 2011	November 30, 2012	26 months
2011	June 30, 2012	July 16, 2013	21 months
2012	June 30, 2013	November 30, 2013	14 months

See "CONTINUING DISCLOSURE" for more information on the continuing disclosure obligations of the Authority and Government.

UNITED STATES VIRGIN ISLANDS

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, and were sworn in for a second term on January 1, 2011.

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 has appellate jurisdiction over the District Court and its appellate division and the Supreme Court. 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.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

Purposes and Powers

The Authority was created by the Government Capital Improvement Act of 1988 (United States Virgin Islands Act No. 5365, as amended), as a public corporation and governmental instrumentality for the purposes of aiding the Government in the performance of its fiscal duties and effective carrying out of its governmental responsibility of raising capital for essential public projects. Under its enabling legislation, the Authority is vested with, but not limited to, the following powers: (i) to have perpetual existence as a corporation, (ii) to borrow money and issue bonds, (iii) to lend the proceeds of its bonds or other money to the Government or any agency, instrumentality, commission, authority, or political subdivision thereof or private enterprise in the Virgin Islands subject to the approval of the Legislature, (iv) to establish one or more revolving loan funds with the proceeds of bonds issued by the Authority or issued by the Government or any agency, instrumentality, commission, authority, or political subdivision thereof, (v) to encourage economic development through the issuance of special obligations to finance a project for the benefit of private parties, which special obligations are payable out of revenue generated by the involved project and are payable to the Authority by said private party, (vi) to invest its funds and to arrange for the investment of the funds of the Government or any agency, instrumentality, commission, authority, or political subdivision thereof, (vii) to make contracts and issue guarantees and to execute all instruments necessary or convenient in the exercise of any of its powers, (viii) to accept grants or loans from, and enter into contracts and agreements with, the government of the United States and any agency, instrumentality, commission, authority, or political subdivision thereof and the Government and any agency, instrumentality, commission, authority, or political subdivision thereof and to apply the proceeds of any such grants or loans for any of its corporate purposes, (ix) to make, modify and repeal bylaws, rules and regulations, (x) to acquire, sell, lease, mortgage, pledge, dispose of or encumber property or interests therein, and (xi) to sue and be sued.

Management

The powers of the Authority are exercised by a board of directors (the "Board") consisting of seven members. The Governor of the Virgin Islands (the "Governor"), the Commissioner of Finance, and the Director of the Office of Management and Budget of the Virgin Islands ("OMB") are members of the Board, and serve ex-officio. The remaining members are appointed by the Governor with the advice and consent of the Legislature of the Virgin Islands (the "Legislature"). 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. Such remaining members must be experienced in municipal finance and not salaried officials or employees of the government of the United States or the Government. The Governor serves as Chairman of the Board. The Commissioner of Finance serves as the Authority's Executive Director. The Director of OMB serves as Secretary to the Authority.

The table below lists the current Board with their governmental positions or, for private sector representatives, their island of residency, and date of expiration of their current terms on the Board. The Governor of the Virgin Islands, the Commissioner of Finance and the Director of OMB serve terms that are coterminous with their terms in such offices. The Board members who represent the private sector serve four-year terms. Currently, there are two vacancies on the Board.

Table 2. The Authority's Board

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., Executive Director	Commissioner of Finance	Ex-officio**
Debra E. Gottlieb, Secretary	Director of the Office of Management and Budget	Ex-officio
Pablo O'Neill	Certified Public Accountant, St. Croix	***
Keith C. O'Neale, Jr.	Business Owner, St. Croix	***

* Term as Governor expires January 1, 2015.

** Serves at pleasure of Governor with advice and consent of the Legislature.

*** While the terms of Messrs. O'Neill and O'Neale, Jr. have expired, they continue to serve on the Board until successors are appointed. As of the date hereof, no successors have been appointed.

Angel E. Dawson, Jr. also serves as the Acting 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.

Outstanding Indebtedness Secured by Matching Fund Revenues

As of August 1, 2013, there was approximately $1.3 billion of outstanding indebtedness secured by Matching Fund Revenues. Of that $1.3 billion, $826.7 million of Senior Lien Bonds are on parity with the Series 2013A Bonds. The remaining $464.5 million is subordinate indebtedness. For estimated debt service coverage for all Senior Lien Bonds, including the Series 2013A Bonds, but excluding the Prior Bonds, for fiscal years 2013-2018, see "MATCHING FUND REVENUES – Verification and Projection of Matching Fund Revenues – *Table 5. Projections of Matching Fund Revenues*."

THE SERIES 2013A BONDS

General

The Series 2013A 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 Limited Offering Memorandum. Interest on the Series 2013A Bonds will be payable on April 1 and October 1, commencing on April 1, 2014. The Series 2013A Bonds are subject to redemption at the times and in the manner set forth in "– Redemption" below. Pursuant to the Indenture, the Authority has appointed the Trustee as Bond Registrar, Paying Agent, and Special Escrow Agent for the Series 2013A Bonds. Interest on the Series 2013A 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, as of the Record Date (as defined below). The Series 2013A Bonds will be available in minimum denominations of $100,000 and integral multiples of $5,000 in excess thereof, in book-entry-only form as described below.

"Record Date" means with respect to an Interest Payment Date for the Series 2013A Bonds, unless otherwise provided by any Supplemental Indenture, the fifteenth day (or if such day shall not be a Business Day, the preceding Business Day) next preceding such Interest Payment Date.

Book-Entry-Only System

DTC will act as securities depository for the Series 2013A Bonds. The Series 2013A 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 2013A Bonds, and will be deposited with DTC. For more information regarding the book-entry only system, see APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM."

Redemption

Mandatory Sinking Fund Redemption. The Series 2013A Bond maturing on October 1, 2018 (CUSIP No. 927676SG2; interest rate 5.00%) is required to be redeemed prior to maturity on October 1, in the years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

Year	Amount
2015	$2,210,000
2016	$2,320,000
2017	$7,555,000
2018†	$7,905,000

†Final maturity.

The Series 2013A Bond maturing on October 1, 2024 (CUSIP No. 927676SH0; interest rate 5.25%) (the "Insured Bond") is required to be redeemed prior to maturity on October 1, in the years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

Year	Amount
2019	$1,750,000
2020	$1,840,000
2021	$1,940,000
2022	$2,045,000
2023	$2,155,000
2024†	$2,270,000

†Final maturity.

The Series 2013A Bond maturing on October 1, 2024 (CUSIP No. 927676SJ6; interest rate 5.00%) is required to be redeemed prior to maturity on October 1, in the years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

Year	Amount
2019	$585,000
2020	$620,000
2021	$650,000
2022	$680,000
2023	$720,000
2024†	$755,000

†Final maturity.

Redemption Selection Procedures

While the Series 2013A Bonds are registered in the book-entry-only system, and so long as DTC or a successor securities depository is the sole registered owner of such Series 2013A Bonds, if less than all of the Series 2013A Bonds of a given maturity are to be redeemed prior to maturity, the Authority shall instruct DTC to provide for the pro-rata redemption following its procedures as a Pro-Rata Pass-Through Distribution of Principal or if DTC procedures do not allow for pro-rata pass-through distribution of principal, the Series 2013A Bonds to be redeemed shall be selected on a pro-rata basis; *provided* that, so long as such Series 2013A Bonds are registered in the book-entry-only system, the selection for redemption of such Series 2013A Bonds will be made in accordance with the operational arrangements of DTC then in effect. See APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM."

It is the Authority's intent that redemption allocations of Series 2013A Bonds made by DTC be made on a pro-rata pass-through distribution of principal basis as described above. However, the Authority cannot provide any assurance that DTC, DTC's Participants or any other intermediary will allocate the redemption of Series 2013A Bonds on such basis, nor will the Authority be responsible for any failure of DTC, DTC's Participants or any other intermediary to do so. If the DTC operational arrangements do not allow for the redemption of Series 2013A Bonds on a pro-rata pass-through distribution of principal basis, then the Series 2013A Bonds to be redeemed will be selected for redemption on a pro-rata basis.

In connection with any repayment of principal of the Series 2013A Bonds, including payments of scheduled mandatory sinking fund redemptions, the Bond Registrar will direct DTC to make a pass-through distribution of principal to the holders of the Series 2013A Bonds.

For purposes of calculation of the *"pro-rata pass-through distribution of principal," "pro-rata"* means, for any amount of principal to be paid, the application of a fraction to such amounts where (a) the numerator of which is equal to the amount due to the respective registered owners on a payment date, and (b) the denominator of which is equal to the total original par amount of the Series 2013A Bonds of the maturity to be redeemed.

While the Series 2013A Bonds are not in book-entry-only form, if less than all of the Series 2013A Bonds of a given maturity are called for redemption prior to maturity, the particular Series 2013A Bonds or portions of Series 2013A Bonds to be redeemed will be selected on a pro-rata basis among the holders of the outstanding Series 2013A Bonds of such maturity by application of a fraction the numerator of which is the principal amount of the Series 2013A Bonds of such maturity held by the holder and the denominator of which is the principal amount of all the Series 2013A Bonds of such maturity then outstanding; *provided, however*, that if for a holder of Series 2013A Bonds of such maturity the pro-rata redemption will not result in a minimum denomination of $100,000 or an integral multiple of $5,000 in excess thereof (the "Uneven Amount"), then the amount to be redeemed allocable to such Uneven Amount will be as determined by the Authority by direction to the Bond Register in any commercially reasonable manner, which may include allocating such additional redemptions by rounding to the nearest denomination of $100,000 or by lot, or both.

Whenever a Series 2013A Bond is redeemed prior to maturity or purchased and cancelled by the Authority, the principal amount of such Series 2013A Bond so redeemed or cancelled shall be credited pro-rata against the unsatisfied balance of future sinking fund installments and final maturity amount established with respect to a Series 2013A Bond.

Notice of Redemption

Notice of any 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 2013A Bonds selected for redemption. The Authority, so long as a book-entry-only method is used for the Series 2013A Bonds, will send any such notice of redemption only to DTC.

SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013A BONDS

General

The Series 2013A Bonds are payable from, and secured by, a pledge of the Trust Estate which includes certain funds and accounts established under the Indenture and the Series 2013A Loan Note.

Series 2013A Bonds

The Series 2013A Bonds are payable from and secured by a pledge of the Trust Estate which includes: (i) all amounts deposited or required to be deposited in the Pledged Revenue Account, the Series 2013A Senior Lien Debt Service Subaccount and the Series 2013A Senior Lien Debt Service Reserve Subaccount created under the Indenture; (ii) the Series 2013A Loan Note, and the proceeds and collections therefrom; (iii) all of the Authority's right and title to, and interest in the Series 2013A Loan Agreement; (iv) all of the Authority's right and title to, and interest in, the Matching Fund Revenues; and (v) 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 Indenture.

The Series 2013A Bonds are secured on a parity basis with all Outstanding Senior Lien Bonds and any Additional Senior Lien Bonds. As of August 1, 2013, there were approximately $826.7 million in Outstanding Senior Lien Bonds.

The Series 2013A Bonds are special limited obligations of the Authority. Principal, premium, if any, and interest on the Series 2013A Bonds are payable solely from the proceeds of repayment of the Series 2013A Loan Note and other amounts pledged pursuant to the Indenture as described herein.

The Series 2013A Bonds do not constitute a general obligation of the Authority, the Government of the United States of America. The Authority has to taxing power. The Matching Fund Revenues pledged to pay debt service on the Series 2013A Bonds are derived from the Series 2013A Loan Note, which is a special limited obligation of the Government. The taxing power of the Government is not pledged to the Series 2013A Loan Note or the Series 2013A Bonds. The Series 2013A Loan Note is secured solely by a pledge of the Matching Fund Revenues. The Series 2013A 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 2013A Loan Note

The Series 2013A Bonds will be secured by the Series 2013A Loan Note issued by the Government pursuant to the Series 2013A Loan Agreement. The Government will be obligated under the Series 2013A Loan Note (i) to make payments to the Authority solely from the Matching Fund Revenues in amounts sufficient to pay all principal, premium, if any, and interest on the Series 2013A Bonds when due and (ii) to make the amount on deposit in the Series 2013A Senior Lien Debt Service Reserve Subaccount, equal to the Series 2013A Senior Lien Debt Service Reserve Requirement, pursuant to the terms of the Indenture.

The Series 2013A Loan Note is a special limited obligation of the Government, secured solely by a pledge and assignment of the Matching Fund Revenues on a parity basis with the prior Matching Fund Loan Notes securing Outstanding Senior Lien Bonds and any Matching Fund Loan Notes securing any Additional Senior Lien Bonds. The Series 2013A Loan Note shall bear interest from the issue date, payable semi-annually, with principal payable annually from the Matching Fund Revenues on deposit in the Special Escrow Fund, 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, 2014, and ending on the second Business Day next preceding the final maturity of the Series 2013A Loan Note. The Series 2013A Loan Note is not subject to optional redemption prior to maturity.

The Government will issue the Series 2013A Loan Note in anticipation of the receipt of the Matching Fund Revenues in an amount in excess of that which is required to (i) pay the Matching Fund Loan Note previously issued to secure the Outstanding Senior Lien Bonds and the Outstanding Subordinate Lien Bonds and (ii) pay the principal of, premium, if any and interest due on the Series 2013A Loan Note. No assurances can be given, however, as to the sufficiency of Matching Fund Revenues for such purposes. See "MATCHING FUND REVENUES."

Series 2013A Loan Agreement

Under the Series 2013A Loan Agreement, the Authority will lend to the Government the sum of $36,000,000, and the Government's obligation to repay such loan will be evidenced by the Series 2013A Loan Note. Pursuant to the Series 2013A Loan Agreement, the Government will pledge and assign its interests in the Matching Fund Revenues and the Special Escrow Agreement (as defined below) to the Trustee as security for the payment of the Series 2013A Loan Note. The Government is obligated to repay the Series 2013A Loan Note in annual installments in accordance with a principal maturity schedule corresponding to the Series 2013A Bonds.

Pursuant to the Series 2013A Loan Agreement, the Government has covenanted, among other things, to take all actions necessary to preserve, protect and enhance the pledge of the 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 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, the Government covenants to substitute another stream of revenues in lieu thereof (the "Substitute Revenues") and to use its best efforts to pledge such Substitute Revenues to repayment of the Series 2013A Loan Note. The Authority also has covenanted in the Series 2013A Loan Agreement to use its best efforts to cause the Government to comply with the terms and the covenants set forth in the Series 2013A Loan Agreement. The Government also has covenanted to comply with the requirements of the Cruzan Agreement and the Diageo Agreement (as defined below) to provide certain economic development incentives. See

APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE SERIES 2013A LOAN AGREEMENT," "CRUZAN – The Cruzan 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 the Amended and Restated Special Escrow Agreement, dated as of September 1, 2012, by and among the same parties (collectively, the "Special Escrow Agreement"), which provides for the deposit of Matching Fund Revenues into the Special Escrow Account to be transferred to the Trustee for payment of debt service on all Bonds outstanding under the Indenture that are due in the next fiscal year, and the funding of any deficiencies in the Senior Lien Debt Service Reserve Account for the Bonds issued under the Indenture, 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.

Diageo Matching Fund Revenues

In connection with the issuance of the Diageo Subordinate Lien 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, dated as of June 1, 2009 ("Diageo Special Escrow Agreement"), pursuant to which Diageo Matching Fund Revenues not required to satisfy any payment obligations related to the Bonds issued under the Indenture are transferred by the Special Escrow Agent to the Diageo Special Escrow Agent, in the amount certified by the Diageo Calculation Agent (as defined below), and are used to pay debt service on the Diageo Subordinate Lien Bonds and to make other payments to the Government and Diageo USVI as required pursuant to the Diageo Agreement (the "Diageo Incremental Cover Over Revenues"). See "DIAGEO – The Diageo Agreement."

In connection with the issuance of the Diageo Subordinate Lien Bonds, the Government, the Authority, Diageo USVI, the Diageo Special Escrow Agent and Deloitte (Virgin Islands) LTD., as Calculation Agent (the "Diageo Calculation Agent"), entered into a Calculation Agent Agreement, dated as of August 1, 2011, to provide for the calculation and certification of the Diageo Matching Fund Revenues and the Diageo Incremental Cover Over Revenues.

Cruzan Matching Fund Revenues

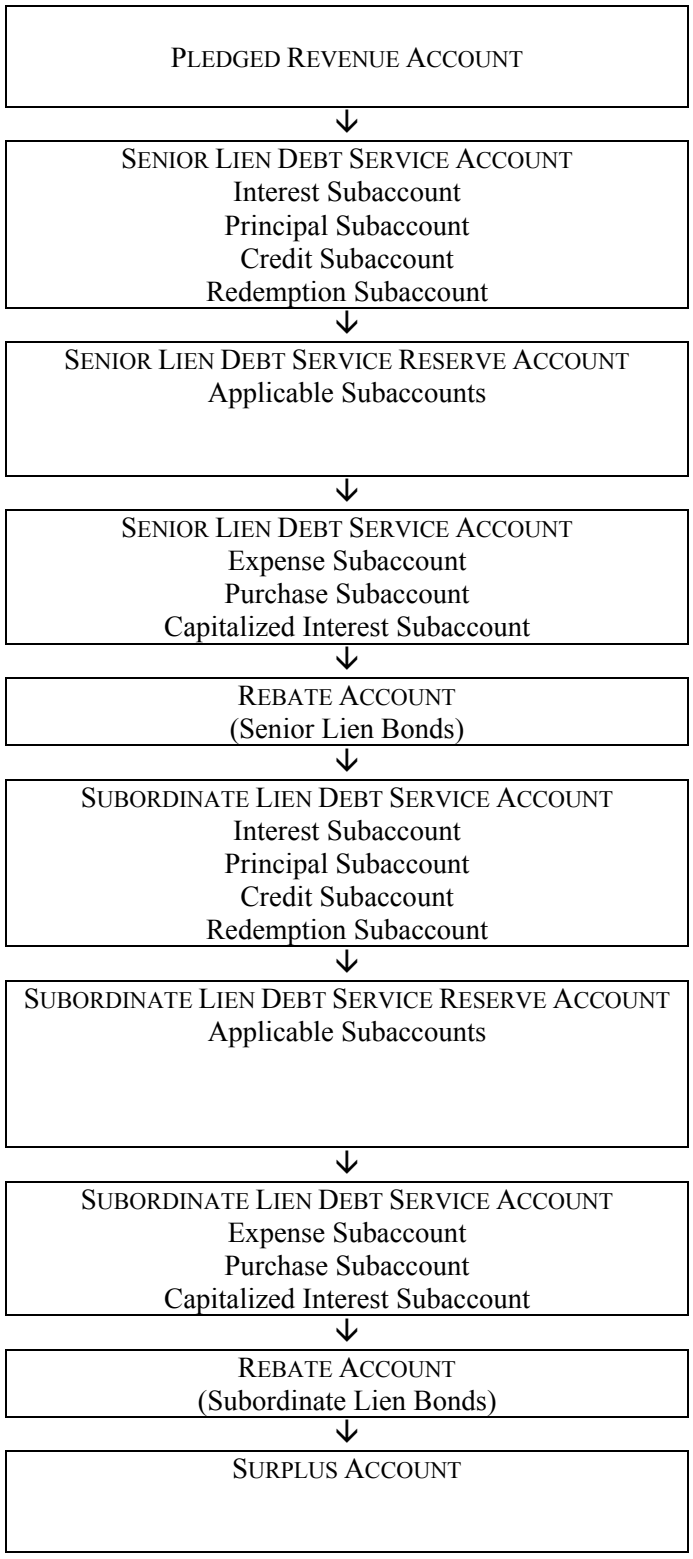
In connection with the issuance of the Cruzan Subordinate Lien Bonds, the Government, the Authority and The Bank of New York Mellon Trust Company, N.A., as Cruzan Special Escrow Agent (the "Cruzan Special Escrow Agent"), entered into the Cruzan Special Escrow Agreement, dated as of December 1, 2009 (the "Cruzan Special Escrow Agreement"), pursuant to which Cruzan Matching Fund Revenues not required to satisfy any payment obligations related to the Bonds issued under the Indenture are transferred by the Special Escrow Agent to the Cruzan Special Escrow Agent, in the amount certified by the Cruzan Calculation Agent (as defined below), and are used to pay debt service on the Cruzan Subordinate Lien Bonds and to make other payments to the Government and Cruzan as required pursuant to the Cruzan Agreement (the "Cruzan Incremental Cover Over Revenues"). See "CRUZAN – The Cruzan Agreement."

In connection with the issuance of the Cruzan Subordinate Lien Bonds, the Government, the Authority, Cruzan, the Cruzan Special Escrow Agent and Bert Smith & Co., as Calculation Agent (the "Cruzan Calculation Agent"), entered into a Calculation Agent Agreement, dated as of August 1, 2011, to provide for the calculation and certification of the Cruzan Matching Fund Revenues and the Cruzan Incremental Cover Over Revenues.

Flow of Funds

Matching Fund Revenues collected by the U.S. 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 Indenture. Pursuant to the 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 Lien Bonds



Deposit All Matching Fund Revenues, including Cruzan Matching Fund Revenues and Diageo Matching Fund Revenues

(1) to the Senior Lien Debt Service Account, and the subaccounts therein, to pay interest, principal, credit facility obligations and redemption price of Senior Lien Bonds

(2) to the Senior Lien Debt Service Reserve Account, and any subaccounts therein, to pay any amounts required to satisfy the Debt Service Requirement on the applicable Senior Lien Bonds

(3) to the Senior Lien Debt Service Account, and the subaccounts therein, to pay expenses, purchase price and capitalized interest on Senior Lien Bonds

(4) to the Rebate Account to pay rebate on Senior Lien Bonds

(5) to the Subordinate Lien Debt Service Account, and any subaccounts therein, to pay interest, principal, credit facility obligations and redemption price of Subordinate Lien Bonds

(6) to the Subordinate Lien Debt Service Reserve Account, and any subaccounts therein, to pay any amounts required to satisfy the Debt Service Reserve Requirement on the applicable Subordinate Lien Bonds

(7) to the Subordinate Lien Debt Service Account, and any subaccounts therein, to pay expenses, purchase price and capitalized interest on Subordinate Lien Bonds

(8) to the Rebate Account to pay rebate on Subordinate Lien Bonds

(9) to the Surplus Account for use pursuant to the Indenture, the Cruzan Agreement and the Diageo Agreement

Pursuant to the 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 surplus Diageo Matching Fund Revenues after payment of all amounts required under the Indenture, including the replenishment of any deficiency in a Debt Service Reserve Subaccount (the "Available Diageo Matching Fund Revenues"), as certified by the Diageo 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.

Amounts in the Surplus Account equal to the Cruzan Matching Fund Revenues after payment of all amounts required under the Indenture, including the replenishment of any deficiency in a Debt Service Reserve Subaccount (the "Available Cruzan Matching Fund Revenues"), as certified by the Cruzan 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.

Debt Service Reserve Account

In connection with the issuance of each series of Bonds, the Authority may direct the Trustee, pursuant to a supplemental indenture, to establish a subaccount in the Debt Service Reserve Account for such series of Bonds. Any such subaccount is required to be funded with the debt service reserve requirement, if any, applicable to such series of Bonds and is available to be drawn upon only to pay debt service on such series of Bonds.

Pursuant to the Indenture, in connection with the issuance of the Series 2013A Bonds, the Trustee will fund the Series 2013A Senior Lien Debt Service Reserve Subaccount with, together with other funds of the Authority, a deposit from the proceeds of the Series 2013A Bonds in an amount equal to the Series 2013A Senior Lien Debt Service Reserve Requirement.

A valuation of the Series 2013A Senior Lien Debt Service Reserve Subaccount will be made on September 1 in each year pursuant to the Indenture. In the event the amount on deposit in the Series 2013A Senior Lien Debt Service Reserve Subaccount is less than the Series 2013A Senior Lien Debt Service Reserve Requirement, the Authority is required to restore the deficiency from transfers of amounts on deposit in the Surplus Account. To the extent there are deficiencies in multiple subaccounts within the Debt Service Reserve Account and all such deficiencies cannot be cured, amounts from the Surplus Account will be applied ratably to each subaccount within the Debt Service Reserve Account that has a deficiency. Pursuant to the Indenture, if there is a deficiency in the 2013A Senior Lien Debt Service Reserve Subaccount that is caused by a valuation of the investment securities, such deficiency is required to be cured no later than the first day of the Bond Year following the determination that such deficiency exists.

If on any Interest Payment Date or Principal Payment Date there are not sufficient amounts in the Series 2013A Senior Lien Interest Subaccount or the Series 2013A Senior Lien Principal Subaccount of the Senior Lien Debt Service Account, as applicable, to pay debt service on the Series 2013A Bonds, the

Trustee is required to transfer from the Series 2013A Senior Lien Debt Service Reserve Subaccount amounts sufficient to make such debt service payments. The Trustee is required to notify the Authority of any transfer described in the immediately preceding sentence.

Pursuant to the Special Escrow Agreement, no later than the second Business Day preceding the first day of the next Bond Year (after the transfers, if any, to the Series 2013A Senior Lien Debt Service Reserve Subaccount pursuant to the Indenture), the Authority is required to transfer or provide for the transfer of Matching Fund Revenues then on deposit in the Special Escrow Fund to the Trustee for deposit in the Series 2013A Senior Lien Debt Service Reserve Subaccount. Such transfer will be an amount of Matching Fund Revenues not to exceed the aggregate amount necessary, together with the amount already on deposit in the Series 2013A Senior Lien Debt Service Reserve Subaccount, to make the amount on deposit in the Series 2013A Senior Lien Debt Service Reserve Subaccount equal to the Series 2013A Senior Lien Debt Service Reserve Requirement. Pursuant to the Special Escrow Agreement, such transfer will occur following written direction from the Trustee to the Special Escrow Agent.

The Series 2013A Senior Lien Debt Service Reserve Requirement is the amount equal to the least of (i) the maximum principal and interest due on the Series 2013A Bonds in the current or any future fiscal year, (ii) 10% of the original stated principal amount of the Series 2013A Bonds (or 10% of the issue price of the Series 2013A Bonds if required by the Code), or (iii) 125% of the average annual principal and interest due on the Series 2013A Bonds in the current and each future fiscal year.

The Series 2013A Senior Lien Debt Service Reserve Requirement is $3,867,928.80.

Additional Bonds

As provided in the Indenture, all Senior Lien Bonds issued under a Supplemental Indenture collectively shall have a first lien upon the Trust Estate. So long as no Event of Default has occurred and is continuing, the Authority may from time to time enter into a Supplemental Indenture providing for the issuance of Additional Bonds pursuant to the Indenture, which Additional Bonds will be on parity with other Bonds of the same lien issued under the Indenture.

Additional Senior Lien Bonds may be issued if the conditions set forth in the 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 Lien Bonds equaled or exceeded 150% of the amount of maximum annual Adjusted Debt Service Requirement (including such proposed Additional Senior Lien 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 Diageo Incremental Cover Over Revenues or the projected Cruzan 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 Lien Bonds and such Additional Senior Lien 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 Lien Bonds, without regard to the projected Diageo Incremental Cover Over Revenues or the projected Cruzan Incremental Cover Over Revenues, as certified by the Calculation Agent, 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 Subordinate Lien Bonds.

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

BOND INSURANCE

The following information has been furnished by Assured Guaranty Municipal Corp. ("AGM"), the bond insurer for the Insured Bond, for use in this Limited Offering Memorandum. No representation is made by the Authority, Government, Jefferies or Bostonia as to the accuracy or completeness of this information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2013A Bonds, AGM will issue its Municipal Bond Insurance Policy (the "Policy") for the Insured Bond. The Policy guarantees the scheduled payment of principal of and interest on the Insured Bond when due as set forth in the form of the Policy included in APPENDIX I hereto.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA-" (with a stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "A2" (with a stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On June 12, 2013, S&P published a report in which it affirmed AGM's "AA-" (stable outlook) financial strength rating. AGM can give no assurance as to any further ratings action that S&P may take.

On January 17, 2013, Moody's issued a press release stating that it had downgraded AGM's insurance financial strength rating to "A2" (stable outlook) from "Aa3". AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

Capitalization of AGM. At June 30, 2013, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,453,294,934 and its total net unearned premium reserve was approximately $1,944,533,294, in each case, in accordance with statutory accounting principles.

For additional information relating to the capitalization of AGM, please see the Current Report on Form 8-K filed by AGL with the Securities and Exchange Commission (the "SEC") on July 22, 2013 (excluding the portion thereof "furnished" under Item 7.01 of such Form).

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Limited Offering Memorandum and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2012 (filed by AGL with the SEC on March 1, 2013);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013 (filed by AGL with the SEC on May 10, 2013); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2013 (filed by AGL with the SEC on August 9, 2013).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2013A Bonds shall be deemed incorporated by reference into this Limited Offering Memorandum and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974- 0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Limited Offering Memorandum.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Limited Offering Memorandum, except as so modified or superseded.

Miscellaneous Matters. AGM or one of its affiliates may purchase a portion of the Insured Bond or any uninsured bonds offered under this Limited Offering Memorandum and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Insured Bond or any uninsured bonds for investment or may sell or otherwise dispose of such Insured Bond or any uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Insured Bond or the advisability of investing in the Insured Bond. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Limited Offering

Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE."

SOURCES AND USES OF FUNDS

The sources and uses of the proceeds of the Series 2013A Bonds are set forth below:

SOURCES OF FUNDS	
Par Amount	$36,000,000.00
Original Issue Premium	2,679,288.00
Transfer from Debt Service Reserve Subaccounts related to the Prior Bonds	1,133,057.98
Total Sources	**$39,812,345.98**
USES OF FUNDS	
Deposit to Escrow Subaccounts related to the Prior Bonds	$34,401,659.26
Deposit to the Series 2013A Senior Lien Debt Service Reserve Subaccount	3,867,928.80
Costs of Issuance[(1)]	1,542,757.92
Total Uses	**$39,812,345.98**

1. The Costs of Issuance of the Series 2013A Bonds include legal fees, Trustee fees, financial advisor fees, bond insurance fees, fees for Jefferies and Bostonia, rounding amounts and other costs incurred in connection with the issuance of the Series 2013A Bonds.

DEBT SERVICE REQUIREMENTS

The table below sets forth the debt service on all Bonds outstanding under the Indenture, including the Series 2013A Bonds, but excluding the Prior Bonds.

		Debt Service on the Series 2013A Bonds			
Fiscal Year (September 30)	Debt Service on Outstanding Bonds[1]	Principal	Interest	Total	Total Debt Service
2013	$ 62,010,369	-	-	-	$ 62,010,369
2014	41,541,306	-	$ 976,000	$ 976,000	42,517,306
2015	65,408,556	-	1,830,000	1,830,000	67,238,556
2016	65,404,988	$ 2,210,000	1,774,750	3,984,750	69,389,738
2017	65,393,850	2,320,000	1,661,500	3,981,500	69,375,350
2018	60,420,781	7,555,000	1,414,625	8,969,625	69,390,406
2019	60,444,234	7,905,000	1,028,125	8,933,125	69,377,359
2020	65,984,769	2,335,000	769,938	3,104,938	69,089,706
2021	66,041,338	2,460,000	645,575	3,105,575	69,146,913
2022	66,047,394	2,590,000	514,600	3,104,600	69,151,994
2023	66,098,269	2,725,000	376,744	3,101,744	69,200,013
2024	66,092,800	2,875,000	231,494	3,106,494	69,199,294
2025	66,125,238	3,025,000	78,463	3,103,463	69,228,700
2026	66,151,250	-	-	-	66,151,250
2027	66,175,875	-	-	-	66,175,875
2028	66,192,875	-	-	-	66,192,875
2029	66,206,250	-	-	-	66,206,250
2030	66,209,750	-	-	-	66,209,750
2031	49,485,625	-	-	-	49,485,625
2032	49,483,750	-	-	-	49,483,750
2033	49,485,750	-	-	-	49,485,750
2034	5,479,250	-	-	-	5,479,250
2035	5,481,125	-	-	-	5,481,125
2036	5,477,625	-	-	-	5,477,625
2037	5,478,250	-	-	-	5,478,250
2038	5,477,375	-	-	-	5,477,375
2039	5,479,375	-	-	-	5,479,375
2040	5,478,625	-	-	-	5,478,625
Total	$1,334,756,641	$36,000,000	$11,301,813	$47,301,813	$1,382,058,453

1. Excludes debt service associated with the Prior Bonds.

The table below sets forth the current debt service on the Prior Bonds, the debt service on the Series 2013A Bonds, and the debt service savings/dis-savings resulting from the issuance of the Series 2013A Bonds.

Fiscal Year (September 30)	Current Debt Service on the Prior Bonds	Estimated Debt Service on the Series 2013A Bonds	Debt Service Savings/ (Dis-savings)
2014	$23,634,150	$ 976,000	$ 22,658,150
2015	551,775	1,830,000	(1,278,225)
2016	551,775	3,984,750	(3,432,975)
2017	551,775	3,981,500	(3,429,725)
2018	5,537,375	8,969,625	(3,432,250)
2019	5,531,488	8,933,125	(3,401,638)
2020		3,104,938	(3,104,938)
2021		3,105,575	(3,105,575)
2022		3,104,600	(3,104,600)
2023		3,101,744	(3,101,744)
2024		3,106,494	(3,106,494)
2025		3,103,463	(3,103,463)
Total	$36,358,338	$47,301,813	$(10,943,475)

MATCHING FUND REVENUES

General

Pursuant to the Matching Fund Act, the Secretary of the U.S. 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 currently 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 U.S. 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 shipped to the United States. The U.S. Treasury submits monthly reports of the federal excise tax revenues collected to the DOI.

In August of each year, the Governor requests a prepayment of Matching Fund Revenues from the DOI that is based on an estimate prepared by OMB. OMB bases its estimate on data received from Cruzan and Diageo regarding projected rum production, projected sales into the U.S. and the projected 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 that the U.S. Treasury 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 2013A BONDS – Special Escrow Agreement" and "– Flow of Funds."

This prepayment is subject to subsequent adjustments based on the amount of Matching Fund Revenues actually received by the Government and the amount of federal excise taxes actually collected by the U.S. 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 U.S. 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. Until 2012, the only producer of rum in the Virgin Islands was Cruzan. Pursuant to the Diageo Agreement, Diageo USVI agreed to build the Diageo Project on St. Croix for production of all of its Captain Morgan rum for export to the United States. The Diageo Project, including the Visitors Center, was completed in March 2012 and shipments of rum to the United States produced from the Diageo Project commenced in or around February 2012. See "CRUZAN," "DIAGEO," "THE RUM INDUSTRY" and APPENDIX D – "IHS GLOBAL, INC. REPORT – VERIFICATION AND PROJECTION OF VIRGIN ISLANDS MATCHING FUND REVENUES FROM RUM SHIPMENTS TO THE U.S."

Cover Over Rate

The federal excise tax and the federal excise tax per proof gallon remitted by the U.S. Treasury 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. Beginning in 1984, Congress introduced a cap on the Cover Over Rate, which was initially $10.50 per proof gallon. Since July 1, 1999, the cap on the Cover Over Rate has been $13.25 per proof gallon and such rate has been reauthorized by Congress each year through December 31, 2013, most recently as part of the American Taxpayer Relief Act of 2012. Table 3 below provides a brief history of the federal excise tax rate, Cover Over Rate, and the related legislation pertaining to calendar years 2004 through 2013.

In August 2012, the Government made an initial advance payment request for 2012, which was based on the $10.50 per proof gallon Cover Over Rate and was remitted by the U.S. Treasury to the Special Escrow Agent in September 2012. In February 2013, the Government made a supplemental request for 2012. This supplemental request was based on (i) the passage of the American Taxpayer Relief Act of 2012, which extended the $13.25 per proof gallon Cover Over Rate through December 31, 2013, and (ii) a revised fiscal year 2013 projection from Cruzan. Payment of the supplemental advance for 2012 was remitted by the U.S. Treasury to the Special Escrow Agent in March 2013.

Table 3. Cover Over Rate Historical Table
2004-2013

Calendar Year	Excise Tax Rate[1]	Cover Over Rate[1]	Legislation
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	Tax Extenders and Alternative Minimum Tax Relief Act of 2008
2010-2011	$13.50	$13.25	Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010
2012-2013	$13.50	$13.25	American Taxpayer Relief Act of 2012

1. Per proof gallon.

Proposed Legislation

Prior to December 31, 2011, all rum used by Diageo USVI in Captain Morgan-branded products sold in the U.S. was procured through an exclusive supply contract with a Puerto Rican third-party supplier, which contract expired on December 31, 2011. In accordance with the Diageo Agreement, Diageo USVI commenced production on St. Croix in or around November 2010 and, since February 2012, all rum used in Captain Morgan-branded products sold in the U.S. has been produced at the Diageo Project.

The Commonwealth of Puerto Rico ("Puerto Rico") also is eligible to receive, and prior to December 31, 2011, had received, Matching Fund Revenues on bulk rum purchased by the Diageo Group from bulk rum suppliers in Puerto Rico for the production of Captain Morgan-branded products that were exported to the United States. Since the Diageo Agreement was executed in 2008, certain elected and appointed officials in Puerto Rico and the U.S. Congress have publicly objected to the amount of benefits provided by the Government to Diageo USVI. In April 2009, Puerto Rico's Resident Commissioner to the U.S. House of Representatives, Pedro R. Pierluisi, introduced H.R. 2122, and in April 2010, U.S. Senator Bob Menendez introduced S. 3208, two proposed acts 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 111th Congress adjourned without taking action on either bill.

In the 112th Congress, Resident Commissioner Pierluisi and Senator Menendez introduced new legislation, H.R. 1883 and S. 986, respectively, that would limit the amount of any subsidy paid from Matching Fund Revenues to any private company to a maximum of fifteen percent (15%) of such revenues. In addition, the Pierluisi and Menendez bills would set minimum and maximum percentages with respect to the allocation of total Cover Over Revenues apportioned to the Virgin Islands and Puerto Rico. Under these bills, the Virgin Islands would receive a minimum of 30 percent of total Cover Over Revenues attributable to total rum shipments from both the Virgin Islands and Puerto Rico, regardless of the total amount of rum shipments from the Virgin Islands to the United States; similarly, the Virgin Islands would receive a maximum of 35 percent of such total revenues, regardless of the total amount of such Virgin Islands shipments. The 112th Congress ended without the House or Senate taking any action on H.R. 1883 or S. 986.

As of the date of this Limited Offering Memorandum and the August 2013 recess of the 113th Congress, neither Resident Commissioner Pierluisi nor Senator Menendez has reintroduced legislation similar to the bills described in the foregoing paragraphs. Similarly, no committee of the House or Senate has taken action on any bills that would impose any of the restrictions or limitations described in the foregoing paragraphs.

As described under "– Cover Over Rate," the American Taxpayer Relief Act of 2012 extended the current temporary $13.25 per proof gallon Cover Over Rate from January 1, 2012 (retroactively) to December 31, 2013. While there are no current bills pending in Congress that would extend the temporary Cover Over Rate beyond December 31, 2013, Congress currently is considering whether to make any of these temporary provisions permanent as part of comprehensive tax reform. The Government has submitted memoranda to the House Ways and Means Committee and the Senate Finance Committee in recent months, recommending, among other things, that the current cap on the Cover Over Rate set forth in Section 7652(f) of the Code be deleted in any comprehensive tax reform bill considered by Congress. Such an amendment would require the U.S. Government to return, or "cover-over," all of the rum taxes imposed by Section 7652 of the Code (currently $13.50 per proof gallon), which would eliminate the need to seek periodic extensions of the current temporary Cover Over Rate. See "CERTAIN BONDHOLDER RISKS – Proposed Legislation."

Historical Matching Fund Revenues

The following table sets forth (i) the total Matching Fund Revenues received by the Government, (ii) the Senior Lien Bonds debt service and (iii) the Senior Lien Bonds debt service coverage for fiscal years 2008 through 2012.

Table 4. Historical Matching Fund Revenues
Fiscal Years 2008 - 2012
($000s)

	2008	2009	2010	2011	2012
Total Matching Fund Revenues[1]	$91,939	$106,820	$103,666	$123,901	$184,233
Senior Lien Bonds Debt Service	$36,245	$36,248	$37,398	$42,862	$62,943
Senior Lien Bonds Debt Service Coverage	2.54x	2.95x	2.77x	2.89x	2.93x

1. The data for Total Matching Fund Revenues is from the Global Insight Report.

Verification and Projection of Matching Fund Revenues

IHS Global Insight (USA), Inc. ("Global Insight"), an economic consulting firm, was engaged by the Authority to verify Matching Fund Revenues received by the Government from fiscal year 1992 through fiscal year 2012 and to project Matching Fund Revenues for fiscal year 2013 through fiscal year 2041. A copy of their report, entitled the "IHS Global, Inc. Report – Verification and Projection of Virgin Islands Matching Fund Revenues from Rum Shipments to the U.S." (the "Global Insight Report"), is attached to this Limited Offering Memorandum as APPENDIX D.

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 fiscal year 1992 through fiscal year 2012 were consistent with excise taxes collected from United States distillers on purchases of bulk rum produced in the Virgin Islands and duties levied by U.S. Customs and Border Protection ("Customs") on cased rum from the Virgin Islands.

In connection with its revenue projections, Global Insight developed three scenarios to project future Matching Fund Revenues.

The first scenario, the "Constant Market Share Scenario," (i) assumes that Cruzan and Captain Morgan (produced with Diageo USVI rum) will maintain a constant market share of the U.S. rum market until each rum production plant reaches capacity, (ii) assumes sales of Ronrico rum (a Cruzan brand) will remain flat, (iii) assumes a $13.25 Cover Over Rate, and (iv) projects Matching Fund Revenues growing from approximately $235.9 million in fiscal year 2013 to approximately $364.5 million in fiscal year 2041. Table 5 below shows projections of Matching Fund Revenues as calculated under the Constant Market Share Scenario for fiscal years 2013 through 2018.

The second scenario, the "Growing Market Share Scenario," (i) assumes that Cruzan and Captain Morgan (produced with Diageo USVI rum) will increase their shares of the U.S. rum market grow until each rum production plant reaches capacity, (ii) assumes sales of Ronrico rum (a Cruzan brand) will decrease, (iii) assumes a $13.25 Cover Over Rate, and (iv) projects Matching Fund Revenues growing from approximately $243.1 million in fiscal year 2013 to $377.6 million in fiscal year 2041. Table 5 below shows projections of Matching Fund Revenues as calculated under the Growing Market Share Scenario for fiscal years 2013 through 2018.

The third scenario, the "Alternative $10.50 Cover Over Rate Scenario," (i) assumes the shipment projections from the Constant Market Share Scenario, (ii) assumes a $10.50 Cover Over Rate and (iii) projects Matching Fund Revenues growing from approximately $187.0 million in fiscal year 2013 to $288.9 million in fiscal year 2041. Table 5 below shows projections of Matching Fund Revenues as calculated under the Alternative $10.50 Cover Over Rate Scenario for fiscal years 2013 through 2018.

For all of the projections for each of the foregoing scenarios for fiscal years 2013 through 2041, prospective purchasers should refer to the Global Insight Report in APPENDIX D.

As set forth in the Global Insight Report, prior projections of Matching Fund Revenues differ substantially from the current revenue projections provided by Global Insight. In those prior projections (first presented in June 2009), the calculation of the federal excise tax due on shipments from the Diageo Project (as described below in "DIAGEO – The Diageo Project") overstated the resulting Matching Fund Revenues that would be generated when the Diageo Project began shipping Captain Morgan rum in 2012. These prior projections of Matching Fund Revenues from rum produced at the Diageo Project have been corrected in the Global Insight Report attached hereto as APPENDIX D. For more information on the correction of these prior projections, see APPENDIX D – "IHS GLOBAL, INC. REPORT – VERIFICATION AND PROJECTION OF VIRGIN ISLANDS MATCHING FUND REVENUES FROM RUM SHIPMENTS TO THE U.S. – EXECUTIVE SUMMARY – *REVENUE PROJECTION*."

Table 5. Projections of Matching Fund Revenues

Constant Market Share Scenario
Fiscal Years 2013 - 2018

	2013	2014	2015	2016	2017	2018
Projected Cruzan Matching Fund Revenues at $13.25 Cover Over Rate[1]	$115,354,164	$117,085,693	$120,458,075	$123,654,574	$126,937,597	$130,381,879
Projected Diageo Matching Fund Revenues at $13.25 Cover Over Rate[1]	120,575,000	122,555,711	126,447,324	130,125,068	133,902,362	137,865,194
Total Revenues	$235,929,164	$239,641,404	$246,905,399	$253,779,642	$260,839,959	$268,247,073
Total Senior Lien Bonds Debt Service[2]	$ 62,010,369	$ 42,517,306	$ 67,238,556	$ 69,389,738	$ 69,375,350	$ 69,390,406
Senior Lien Bonds Debt Service Coverage[2]	3.80x	5.64x	3.67x	3.66x	3.76x	3.87x

Growing Market Share Scenario
Fiscal Years 2013 - 2018

	2013	2014	2015	2016	2017	2018
Projected Cruzan Matching Fund Revenues at $13.25 Cover Over Rate[1]	$122,516,132	$127,236,791	$131,690,762	$136,288,213	$139,125,000	$139,125,000
Projected Diageo Matching Fund Revenues at $13.25 Cover Over Rate[1]	120,575,000	123,630,357	129,710,600	135,549,647	141,639,492	148,128,146
Total Revenues	$243,091,132	$250,867,148	$261,401,362	$271,837,860	$280,764,492	$287,253,146
Total Senior Lien Bonds Debt Service[2]	$ 62,010,369	$ 42,517,306	$ 67,238,556	$ 69,389,738	$ 69,375,350	$ 69,390,406
Senior Lien Bonds Debt Service Coverage[2]	3.92x	5.90x	3.89x	3.92x	4.05x	4.14x

Alternative $10.50 Cover Over Rate Scenario
Fiscal Years 2013 - 2018

	2013	2014	2015	2016	2017	2018
Projected Cruzan Matching Fund Revenues at $10.50 Cover Over Rate[1]	$ 91,412,734	$ 92,776,964	$ 95,457,343	$ 97,990,418	$100,592,058	$103,321,489
Projected Diageo Matching Fund Revenues at $10.50 Cover Over Rate[1]	95,550,000	97,119,620	100,203,540	103,117,979	106,111,306	109,251,663
Total Revenues	$186,962,734	$189,896,584	$195,660,883	$201,108,397	$206,703,364	$212,573,152
Total Senior Lien Bonds Debt Service[2]	$ 62,010,369	$ 42,517,306	$ 67,238,556	$ 69,389,738	$ 69,375,350	$ 69,390,406
Senior Lien Bonds Debt Service Coverage[2]	3.02x	4.47x	2.91x	2.90x	2.98x	3.06x

1. The revenue projections have been calculated by Global Insight and are included in the Global Insight Report. Amounts may not total due to rounding.
2. Total Senior Lien Bonds Debt Service and Senior Lien Bonds Debt Service Coverage exclude debt service associated with the Prior Bonds, but include debt service associated with the Series 2013A Bonds.

CRUZAN

General

Rum has been produced in the Virgin Islands for more than 300 years. Cruzan was founded in 1946 and has produced rum in St. Croix since its inception. Until 2012, Cruzan was the only rum producer located in St. Croix. Cruzan offers a wide range of dark and light rum as well as flavored varieties ("Cruzan Rum"). The varieties of rum produced by Cruzan continue to expand, with the most recent launch of Cruzan Key Lime and Passion Fruit in the spring of 2013.

Pursuant to an Agreement dated October 6, 2009, as amended pursuant to the Amendments dated March 22, 2012 (the "Amendments"), each entered into by and between the Government and Cruzan, and ratified by the Legislature on October 27, 2009, and April 25, 2012, respectively (the "Cruzan Agreement"), the Government agreed to provide to Cruzan certain economic development incentives (including molasses, marketing and production subsidies) and grant funds to pay the costs of various improvement projects at the distillery, including the installation of a wastewater treatment facility (the "Cruzan Wastewater Treatment Project") and certain alteration, upgrade, expansion and renovation projects (the "Cruzan Expansion Project" and, together with the Cruzan Wastewater Treatment Project, the "Cruzan Project"). In exchange for those incentives, Cruzan agreed, subject to certain conditions, to undertake the Cruzan Project and to distill at the Cruzan Facility (as described below) 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 "CRUZAN – The Cruzan Agreement."

Ownership

Cruzan is a wholly-owned indirect subsidiary of Beam Inc. ("Beam"), the largest United States based distilled spirits company. A Beam subsidiary acquired Cruzan on October 1, 2008, from V&S Vin & Sprit AB, a distilled spirits company owned by Pernod Ricard S.A. of France. Beam has a portfolio of 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. Additionally, in 2012, Beam expanded its spirits portfolio to include Kilbeggan Irish whiskey, Pinnacle vodka and Calico Jack rum. Calico Jack rum is sourced from the Cruzan Facility and will be Branded Rum for Cover Over purposes.

In 2011, Fortune Brands, Inc. ("Fortune Brands"), the former parent of Beam and a diversified consumer brands company then operating in three distinct segments – distilled spirits, home and security products, and golf equipment, separated its three businesses. Accordingly, Fortune Brands sold its golf business in July 2011 and spun off the home and security products business in October 2011. The remaining entity was renamed Beam Inc., which is now a leading global spirits company traded on the New York Stock Exchange under the symbol BEAM.

In 2011, Beam's sales were $2.8 billion. Neither Beam nor Fortune Brands is a party to or obligated under any of the agreements described in this Limited Offering Memorandum, including the Cruzan Agreement.

Cruzan Facilities

The Cruzan facility (the "Cruzan Facility") consists of (i) a distillery (the "Cruzan Distillery"), (ii) a fermenter bottom and stillage cooling treatment facility (the "Cruzan Original WWTP"), (iii) a partially commissioned evaporative wastewater treatment plant (the "Cruzan Wastewater Treatment Facility"), and (iv) 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 11.3 million proof gallons of rum per year at a production rate of 36,000 proof gallons of rum per day on the basis of 313 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 47,000 barrels of rum, and currently store approximately 43,000 barrels. The Cruzan Site also houses an administrative office, a visitors pavilion, a laboratory and work space and amenities for 58 employees.

Cruzan is currently treating Cruzan Distillery effluents (wastewater) via the Cruzan Original WWTP. Cruzan commissioned and constructed the Cruzan Wastewater Treatment Facility, and, following satisfactory testing and inspection, anticipates having the ability to consistently use it to treat the Cruzan Distillery effluents sometime in the fourth quarter of 2013. The Cruzan Wastewater Treatment Facility was designed to accommodate effluents resulting from the production of up to 16 million proof gallons of rum per year.

Permits. Cruzan currently holds all permits necessary for the operation of the Cruzan Facility, including 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. In connection with the construction of the Cruzan Wastewater Treatment Facility, Cruzan obtained a permit modification, which will replace Cruzan's current TPDES permit in when the new permit is issued. Cruzan's extended TPDES permit is in good standing with all applicable regulatory agencies.

Maintenance and Hurricane Preparedness. In order to run the Cruzan Distillery 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.

Insurance Coverage Regarding Operations. Cruzan maintains commercially reasonable insurance against the risks of hurricane, earthquake, fire and 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, Beam.

The Cruzan Agreement

Pursuant to the Cruzan Agreement, Cruzan has agreed to undertake the Cruzan Project and distill at the Cruzan Facility all Branded Rum, Ronrico Rum and Bulk Rum for sale in the United States, in return for, and subject to, certain economic development incentives from the Government, including: (i) a grant of up to $30 million to pay the cost of the Cruzan Wastewater Treatment Project; (ii) a grant of up to $75 million to pay the cost of the Cruzan Expansion Project; (iii) reduction or elimination of certain taxes, including corporate income tax, taxes on dividends and interest, 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; (iv) various molasses subsidy payments; (v) various marketing support payments; (vi) various rum promotion support payments; and (vii) various production support payments.

The Cruzan Agreement also provides that, after making annual deposits to satisfy debt service payments on the Cruzan Subordinate Lien Bonds, (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, and (b) between 60% and 75% of Cruzan Matching Fund Revenues from bulk rum sales or between 78% and 80% 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, will be transferred to the Government to be used for any lawful purpose. Based upon the Amendments to the Cruzan Agreement, in September 2018, the Government share of Cruzan Matching Fund Revenues from bulk rum sales will revert to between 78% and 82%, depending on the number of proof gallons of rum produced by Cruzan in the preceding year.

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. 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 Cruzan Subordinate Lien Bonds remain outstanding, but is subject to extension at the option of Cruzan for an additional 30-year term.

The Cruzan Project

The Cruzan Project consisted of the acquisition, construction and installation of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility, each located on the Cruzan Site in Frederiksted, St. Croix and owned and operated by Cruzan. The Cruzan Wastewater Treatment Project involved the installation of an evaporative wastewater treatment plant that was designed to eliminate undesirable discharge into the ocean. The Cruzan Expansion Project involved the purchase and installation of certain distillery equipment and associated materials that allow for improved efficiencies. The Cruzan Project also included all necessary utilities, transportation improvements and related facilities. The Government made a grant of approximately $35 million to Cruzan to finance the cost of the Cruzan Wastewater Treatment Project and a portion of the Cruzan Expansion Project. See "THE CRUZAN AGREEMENT."

Cruzan Wastewater Treatment Project. Cruzan was 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 will result in the cessation of Vinasse discharge into the ocean. As agreed, Cruzan constructed the Cruzan Wastewater Treatment Facility and is in the process of implementing the new evaporation technology.

The Cruzan Wastewater Treatment Facility was constructed on the Cruzan Site, located on Estate Diamond in Frederiksted, St. Croix. The Cruzan Wastewater Treatment Facility consists of housing for the evaporator and the mechanical vapor recompression turbine, diesel powered electric generators, boiler and ancillary equipment such as tanks, pumps and the reverse osmosis system. Additionally, a 2.0 million gallon Condensed Molasses Solubles ("CMS") storage tank was 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.

Cruzan Expansion Project. Cruzan added fermentation capacity, constructed a new beer well, made improvements to its fire protection system, and improved certain distillation equipment at the Cruzan Site. Additionally, Cruzan initiated the reconfiguration of a rum processing column to serve as a rectifying column to be incorporated into the Cruzan Distillery. The Cruzan Expansion Facility currently produces all of the rum required to meet Cruzan Rum, Ronrico, Calico Jack and bulk and other rum requirements. Cruzan directly funded a majority of the cost of repairs and alterations to the Cruzan Expansion Facility. Cruzan has the right, but does not currently intend, to finance any additional expansion in furtherance of the Cruzan Expansion Project through the remaining amount of the Government grant capacity available under the Cruzan Agreement. Cruzan may, in the future, continue further aspects of the Cruzan Expansion Project.

Required Permits for the Cruzan Project. A number of permits were required for the construction and the operation of the Cruzan Wastewater Treatment Facility and the Cruzan Expansion Facility. Such permits include, but were not limited to, the following: soil boring, land clearing, major earth change, building construction, air modification, and coastal zone management. Additional plans and assessments such as Stormwater Pollution Prevention Plans and an environmental assessment report also were required in connection with the Cruzan Project. Cruzan also obtained a TPDES Permit Modification, which is anticipated to become effective in the fourth quarter of 2013.

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, when fully operational, a maximum capacity to produce 20 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, constructed on two separate parcels of land in Christiansted, St. Croix and owned and operated by Diageo USVI. The Diageo Project also included all related utilities, transportation improvements and facilities necessary and appurtenant thereto, as well as a "Visitors Center." The Government 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 financial income for year 2012 was $441.7 million. As of June 30, 2012, Diageo Holdings had total assets of approximately $27.6 billion, share capital of approximately $6.2 million (at a rate of £1.56), share premium of approximately $19.7 billion, retained earnings of approximately $7.9 billion and current liabilities of approximately $8.6 million.

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, 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 agreement between Diageo USVI 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 (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 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, 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 Subordinate Lien Bonds and to replenish the debt service reserve account related to those bonds, between 49.5% and 57% of the Diageo Matching Fund Revenues will be transferred to the Government to be used for any lawful purpose.

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 Subordinate Lien 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 have been constructed on approximately 23 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 70,000 liters per day on the basis of 250 to 300 days per year of operation. The Diageo Distillery Site also houses an administrative office, a laboratory and work space and amenities for its employees. Construction of the Diageo Distillery included 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 included 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 has benefitted 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 has built 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. 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 Diageo Warehouse Site provides 200,000 square feet of barrel warehousing capacity. The bulk rum produced in the Diageo Distillery is warehoused in maturation barrels at the Diageo Warehouse. After maturation, the rum is returned to the Diageo Distillery and transferred to isotankers or other vessels for shipment to the United States.

Construction Schedule. Construction of the Diageo Project, including the Visitors Center, was completed in March 2012.

Management/Service Contracts. Each of Diageo North America, Inc., Diageo Supply Americas, Inc. ("Diageo Supply") and Diageo Canada, Inc. 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 operation of the Diageo Distillery and the Diageo Warehouses is being managed internally by Diageo USVI 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 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 Operation. Diageo USVI is 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

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. According to the Beverage Information Group's 2013 Liquor Handbook Advance (the "Liquor Handbook"), which is a comprehensive source of information on U.S. spirits and sales trends, including consumption and projection information and historical data, by 1995 the volume of consumption had fallen to 137.3 million 9-liter cases, which was 28.1% less than the 190.9 million cases consumed in 1980. The year 1995 proved to be the trough of this cycle. Since then, consumption has been steadily increasing, reaching 205.8 million 9-liter cases in 2012 (preliminary data), which represents a 3.6% increase from 2011. Industry projections are for growth of 3.3% in 2013.

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 the American consumer 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 consumers with more disposable income have driven the bar and restaurant market for premium cocktails.

Table 6. Distilled Spirits Market Share

	2008	2009	2010	2011	2012[1]
Whiskeys	24.5%	24.3%	23.8%	23.3%	23.1%
U.S. Whiskeys	10.8	10.7	10.6	10.4	10.4
Scotch	4.8	4.7	4.5	4.2	4.1
Other Whiskeys[2]	8.9	8.9	8.7	8.7	8.6
Non-Whiskeys	75.5%	75.7%	76.2%	76.7%	76.9%
Rums	13.3	13.3	13.3	13.2	13.0
Vodka	29.8	31.0	32.3	33.0	33.6
Gin	6.1	6.0	5.8	5.5	5.3
Others[3]	26.3	25.4	24.8	25.0	25.0

Source: The Liquor Handbook.

Note: Amounts may not total due to rounding.
1. All data for 2012 is preliminary.
2. Includes Canadian and Irish Whiskeys.
3. Includes brandies, cordials, liqueurs, tequila and prepared cocktails.

THE RUM INDUSTRY

Total U.S. rum consumption has increased for 17 consecutive years, including 2012, although rum saw its distilled spirits market share dip by 0.2% to 13.0% in 2012 (preliminary data). The two leading brands in the premium category are Bacardi and Captain Morgan. The rum for Bacardi is currently produced in Puerto Rico, while the rum for Captain Morgan is now produced in the Virgin Islands. Based on preliminary data, Captain Morgan is expected to remain the second largest rum brand in the United States for 2012 selling approximately 6.1 million 9-liter cases.

Cruzan's leading brand has been gaining market share through 2012. With average annual growth rate of 11.3% between 2002 and 2008, its market share increased from 1.8% to 2.6%, according to the Liquor Handbook. This market share fell, during the recession of 2009, to 2.1%, but rebounded thereafter with an 11.9% gain in 9-liter cases sold in 2011, and a 7.9% gain in 9-liter cases in 2012 (preliminary data). This growth in sales brought Cruzan's market share to 2.9%. Ronrico, which is produced exclusively at the Cruzan plant under the Cruzan Agreement, is the eighth largest rum brand in the U.S., but has seen its sales and market share decline over the last two decades.

Below is a chart showing the leading rum brands in the United States in 2012, based on the number of 9-liter cases sold (preliminary data). The shaded rows show rum brands that are made with rum from the Virgin Islands.

Table 7. Leading Rum Brands in the United States 2012[1]

Brand	9-Liter Cases Sold (in thousands)
Bacardi	9,541
Captain Morgan	**6,112**
Malibu	1,780
Castillo	849
Admiral Nelson	800
Cruzan	**782**
Sailor Jerry	734
Ronrico	**420**

Source: The Liquor Handbook.

1. All data in Table 7 is preliminary.

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.

Cruzan

Until 2012, Cruzan was the only rum producer located in the Virgin Islands. The current total production capacity at the Cruzan Facility is approximately 10.6 million proof gallons per year. In fiscal year 2012, Cruzan produced approximately 9.6 million proof gallons of Cruzan rum, all of which were sold in the U.S.

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. See "CRUZAN – The Cruzan Agreement."

Diageo USVI

The Government and Diageo USVI have entered into the Diageo Agreement pursuant to which Diageo USVI 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 2012. Currently, all rum used in Captain Morgan-branded products sold in the U.S. is produced at the Diageo Distillery in St. Croix. See "DIAGEO – The Diageo Agreement."

Based on current projections from Diageo USVI, the Government expects Diageo USVI to sell approximately 9.1 million proof gallons of rum in the U.S. in fiscal year 2013 and have capacity for rum production of 18 million proof gallons in fiscal year 2024. Assuming a Cover Over Rate of $13.25 per proof gallon and the Constant Market Share Scenario, Diageo Matching Fund Revenues should be approximately $120.6 million in fiscal year 2013.

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, 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 2004. The molasses subsidy payments in fiscal years 2007 through 2013 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.

Table 8. Molasses Subsidy Payments
Fiscal Years 2004 - 2013

Fiscal Year	Molasses Gallons	Amount of Molasses Subsidy
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
2010	11,095,830	$10,171,052
2011	10,102,636	$12,810,852
2012[(1)]	19,684,727	$31,250,216
2013[(2)]	21,251,335	$42,998,509

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

1. The fiscal year 2012 data is based on estimated molasses gallons of 9,435,357 for Cruzan and 10,249,370 for Diageo USVI and estimated subsidy payments of $17,223,908 for Cruzan and $14,026,308 for Diageo USVI. The fiscal year 2012 estimate data is based on information in the fiscal year 2012 Cruzan Calculation Agent Report and the fiscal year 2012 Diageo Calculation Agent Report, both of which are subject to adjustment following review of the actual molasses subsidy for fiscal year 2012.
2. The fiscal year 2013 data is based on estimated molasses gallons of approximately 10,354,790 for Cruzan and approximately 10,896,545 for Diageo USVI and estimated subsidy payments of approximately $20,333,695 for Cruzan and $22,664,814 for Diageo USVI. The fiscal year 2013 estimate data is based on information in the fiscal year 2013 Cruzan Calculation Agent Report and the fiscal year 2013 Diageo Calculation Agent Report, both of which are subject to adjustment following review of the actual molasses subsidy for fiscal year 2013.

Prior to entering into the Cruzan Agreement and the Diageo Agreement, the molasses subsidy was administered by the Commissioner of Finance through the establishment of a legislatively mandated Molasses Subsidy Fund. The Molasses Subsidy Fund consisted of amounts appropriated from time to time by the Legislature exclusively for such purpose. Amounts available in the Molasses Subsidy Fund were requisitioned by Cruzan, verified by the Commissioner of Finance and then payable to Cruzan to the extent funds were available in the Molasses Subsidy Fund. Funding of the Molasses Subsidy Fund was based upon an estimate of molasses to be acquired by local producers for the next fiscal year and subject to annual appropriation. While not obligated to appropriate such amounts, the Legislature had never failed to appropriate an amount sufficient to satisfy the obligations of the Molasses Subsidy Fund.

Pursuant to the terms of the Cruzan Agreement and the Diageo Agreement, the molasses subsidy payable to Cruzan will be provided directly from Cruzan Matching Fund Revenues through the molasses subsidy payments under the Cruzan Agreement and to Diageo USVI directly from 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, for each of the five fiscal years included in the table, and to Diageo USVI for fiscal year 2013, as marketing support payments. Diageo USVI does not receive rum promotion payments from the Government. Rum promotion and marketing support payments are payable solely to the extent funds are available from Cruzan Matching Fund Revenues and Diageo Matching Fund Revenues, as applicable, after payment of debt service under the Cruzan Subordinated Indenture and the Diageo Subordinated Indenture, as applicable, and payment of the molasses subsidy.

Table 9. Rum Promotion and Marketing Support Payments
Fiscal Years 2009-2013

	2009	2010	2011	2012[1]	2013[3]
Rum Promotion	$2,144,461	$20,772,173	$27,697,355	$ 712,504[2]	$ 4,285,586
Marketing Support	3,878,110	15,511,089	15,667,847	24,720,491	21,200,219
Total	$6,022,571	$36,283,262	$43,365,202	$25,432,995	$25,485,805

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

1. The fiscal year 2012 data (i) is based on the Cruzan Calculation Agent Report and Diageo Calculation Agent Report from their preliminary review of rum shipments in fiscal year 2012 and (ii) may be subject to adjustment following final review of actual rum shipments and actual rum promotion and marketing support subsidies for fiscal year 2012.
2. The fiscal year 2012 rum promotion support payments were substantially less due to the increase in the cost of molasses. See "– Molasses Subsidy Payments."
3. The fiscal year 2013 data (i) is based on the Cruzan Calculation Agent Report and Diageo Calculation Agent Report from their preliminary review of rum shipments in fiscal year 2013 and (ii) may be subject to adjustment following final review of actual rum shipments and actual rum promotion and marketing support subsidies for fiscal year 2013.

St. Croix Molasses Pier

In 1999, the Government completed construction of the St. Croix Molasses Pier, which has increased the capacity for delivering and storing 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 larger cargo vessels to dock and deliver 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 utilizes 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 2013A Bonds may involve investment risks. Prospective purchasers of the Series 2013A Bonds are urged to read this Limited Offering Memorandum 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 2013A Bonds. In addition to possible adverse effects on the security for the Series 2013A Bonds, purchasers should be aware that these factors, among others, may adversely affect the market price of the Series 2013A Bonds in the secondary market. See also "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2013A BONDS" and "CONTINUING DISCLOSURE."

Transfer and Resale Restrictions

The Series 2013A Bonds are being offered through a limited offering (i) in reliance on the limited offering exemption of Section (d)(1) of Rule 15c2-12, (ii) without registration under, and in reliance upon an exemption from, the registration requirements of the Securities Act and (iii) only to institutional investors under applicable state "blue sky" securities laws, which are Qualified Buyers (as defined herein). Any transfer or resale of the Series 2013A Bonds, until such time as the transfer and resale restrictions are eliminated, will be restricted to such Qualified Buyers.

The transfer and resale restrictions may exist for an indefinite amount of time and will cease only at such time that the conditions described herein under "PLAN OF DISTRIBUTION – Elimination of Transfer and Resale Restrictions" are satisfied.

No Public Market

Currently, there is no public market for the Series 2013A Bonds and no assurances can be made that any such public market for the Series 2013A Bonds will exist in the future. A prospective purchaser may be required to bear the economic risk of the investment in the Series 2013A Bonds indefinitely and may realize a complete loss of its investment in the Series 2013A Bonds.

Matching Fund Revenues Sole Security for the Series 2013A Loan Note

The Series 2013A Bonds are secured solely by the Trust Estate, including the Series 2013A Loan Note. The Series 2013A 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 2013A Loan Note. The Series 2013A Loan Note is secured solely by the Matching Fund Revenues, which are derived solely from the sale of rum produced in the Virgin Islands and exported to the United States. If Virgin Islands rum producers fail to meet their production targets, Matching Fund Revenues will be less than projected and may not be sufficient to pay debt service on the Bonds, including the Series 2013A 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 U.S. Treasury and Customs and which would be available for transfer to the Government. See "MATCHING FUND REVENUES."

Diageo Project and Cruzan Project Operational Risks

Any interruption of the production of rum at the Cruzan Facility or the Diageo Distillery could cause a delay in collection, or a reduction of, Matching Fund Revenues and an inability of the Authority to pay debt service on the Bonds, including the Series 2013A Bonds. See "MATCHING FUND REVENUES," "CRUZAN – The Cruzan Project" and "DIAGEO – The Diageo Project." Cruzan and Diageo USVI are not obligated to pay debt service on the outstanding Bonds or the Series 2013A Bonds.

Outside Factors

The state of the world or the U.S. economy, particularly a recession, increased costs of fuel or personnel, terrorist attacks and international hostilities, among other things, could have an adverse impact on the Cruzan Facility, the Cruzan Project or the Diageo Facility 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 2013A Bonds.

Government's Obligation to Make Payments and Conditions to Rum Producers' Obligations

The Government is obligated to make certain annual payments and provide certain economic development incentives to Cruzan and Diageo USVI under the Cruzan Agreement and the Diageo Agreement, respectively. 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 or Diageo USVI, they can terminate their respective Agreements without paying liquidated damages in accordance with the provisions of such Agreements. If the Cover Over Rate is reduced below $10.50 per proof gallon for a period of more than one year, Cruzan and Diageo USVI also can terminate their respective Agreements without paying liquidated damages in accordance with the provisions of such Agreements. Either event would cause a reduction in Matching Fund Revenues, which could adversely affect the Authority's ability to pay debt service on the Series 2013A Bonds.

Financial Condition of the Government

Over the past several years, the Government has experienced a significant decline in core governmental revenues due to the combined impacts of declining refinery profitability beginning in 2008, the 2008 global recession, and the closing of the HOVENSA refinery in 2012, which have destabilized governmental finances and resulted in a recurring shortfall of current revenues compared to current expenditures over the last four years. Since fiscal year 2007, the Government has reduced its executive branch workforce by 22% and taken other measures to balance operating costs and current revenues. Notwithstanding these efforts, the Government has experienced repeated operating deficits, utilized long-term borrowing to fund operations, and anticipates that current expenditures will continue to be greater than current revenues for fiscal years 2013 and 2014. The Government may continue to experience a shortfall of current revenues over current expenditures in future fiscal years, as well. No assurances can be given as to whether or not the Government will continue to experience such revenue shortfalls in future fiscal years.

Proposed Legislation

In April 2009, Puerto Rico's Resident Commissioner to the U.S. House of Representatives, Pedro R. Pierluisi, introduced H.R. 2122, and in April 2010, U.S. Senator Bob Menendez introduced S. 3208, two proposed acts 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 111th Congress adjourned without taking action on either bill. In

the 112th Congress, Resident Commissioner Pierluisi and Senator Menendez introduced new legislation, H.R. 1883 and S. 986, respectively, which would limit the amount of any subsidy paid from Matching Fund Revenues to any private company to a maximum of fifteen percent (15%) of such revenues. In addition, the Pierluisi and Menendez bills would set minimum and maximum percentages with respect to the allocation of total Cover Over Revenues apportioned to the Virgin Islands and Puerto Rico. Under these bills, the Virgin Islands would receive a minimum of 30 percent of total Cover Over Revenues attributable to total rum shipments from both the Virgin Islands and Puerto Rico, regardless of the total amount of rum shipments from the Virgin Islands to the United States; similarly, the Virgin Islands would receive a maximum of thirty-five percent (35%) of such total revenues, regardless of the total amount of such Virgin Islands shipments. The 112th Congress ended without the House or Senate taking any action on H.R. 1883 or S. 986.

As of the date of this Limited Offering Memorandum and the August 2013 recess of the 113th Congress, neither Resident Commissioner Pierluisi nor Senator Menendez has reintroduced legislation similar to the bills described in the foregoing paragraphs. Similarly, no committee of the House or Senate has taken action on any bills that would impose any of the restrictions or limitations described in the foregoing paragraph. No assurance can be given, however, as to whether or not the Congress will take any action on legislation similar to the bills described in this paragraph or any other legislation that could adversely effect the amount of Matching Fund Revenues paid to the Government.

As described under "MATCHING FUND REVENUES – Proposed Legislation," the American Taxpayer Relief Act of 2012 extended the current temporary $13.25 per proof gallon Cover Over Rate retroactive from January 1, 2012 to December 31, 2013. While there are no current bills pending in Congress that would extend the temporary Cover Over Rate beyond December 31, 2013, Congress is currently considering whether to make any of these temporary provisions permanent as part of comprehensive tax reform. The Government has submitted memoranda to the House Ways and Means Committee and the Senate Finance Committee in recent months, recommending, among other things, that the current cap on the Cover Over Rate set forth in Section 7652(f) of the Code be deleted in any comprehensive tax reform bill considered by Congress. Such an amendment would require the U.S. Government to return, or "cover-over," all of the rum taxes imposed by Section 7652 of the Code (currently $13.50 per proof gallon), which would eliminate the need to seek periodic extensions of the current temporary Cover Over Rate. No assurance can be given, however, as to whether Congress will consider or enact such an amendment to the Code.

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 also experiences fairly frequent earthquake tremors. There has not been, however, a major earthquake since the early 1900s. Damage from an earthquake 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 Facilities, 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 2013A Bonds.

Limited Production Source

All the rum currently produced in the Virgin Islands is produced by Cruzan and Diageo USVI. The ownership of Cruzan has changed six times in the past 25 years. There 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 has generally expanded over the past decade. Based on preliminary data, in 2012, total distilled spirits consumption in the United States increased 3.6% from 2011 to 205.8 million 9-liter cases. Total U.S. rum consumption has increased for 17 consecutive years, including 2012, although rum saw its distilled spirits market share dip by 0.2% to 13.0% in 2012 (preliminary data). 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 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 so 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."

Rum Production and Market Competition

Currently, rum is produced in the Virgin Islands by only Cruzan and Diageo USVI, whose obligations to produce rum is described herein. See "CRUZAN" and "DIAGEO." Cruzan currently produces rum both for bulk sales for third-party rum products sold in the United States, as well as for its own branded rum products. Diageo USVI produces rum at its facility in the Virgin Islands for use in all of its Captain Morgan-branded rum products sold in the United States, as well as for other Diageo-owned branded rum products. Should the production plans of either company change as 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 Matching Fund Revenues available to pay debt service on the Series 2013A Bonds.

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 U.S. 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 7652(b)(3)A) of the Code requires the Secretary of the U.S. Treasury, through the Secretary of the Interior, to provide the Virgin Islands an advance payment of the estimated amount of Matching Fund Revenues that will be collected in any fiscal year just prior to the commencement of such fiscal year. The pre-payment of such Matching Fund Revenues is based on the estimate provided by the Governor of the Virgin Islands. The law also requires that the Secretary shall deduct from, or add to, the advance payment "the difference between the Matching Fund Revenues actually collected during the prior fiscal year and the amount of such Matching Fund Revenues as estimated and remitted at the beginning of that prior fiscal year." 48 U.S.C. § 1645. There can be no assurance that these payment procedures will not be changed by statute or otherwise.

Federal Bankruptcy Code Currently 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 knowledge of the Authority and Government, threatened (i) seeking to restrain or enjoin the issuance of the Series 2013A Bonds or the collection of the Matching Fund Revenues pledged under the Indenture, (ii) in any way contesting or affecting the authority for the issuance of the Series 2013A Bonds or the validity or the binding effect of the Series 2013A Bonds, the resolutions of the Authority authorizing and implementing the Series 2013A Bonds or the Indenture, the Series 2013A Loan Agreement or the Series 2013A 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 Series 2013A Loan Agreement or the Series 2013A Loan Note or the application of the proceeds of the Series 2013A Bonds for the purposes planned.

INTERNAL REVENUE SERVICE AUDIT

On March 1, 2012, the Internal Revenue Service ("IRS") notified the Authority that it was conducting a random audit in connection with the Authority's $219,490,000 Virgin Islands Public Finance Authority Revenue Bonds (Gross Receipts Taxes Loan Note), Series 2006, issued on September 28, 2006 (the "Series 2006 Bonds"). A portion of the Series 2006 Bonds partially refunded the Authority's $299,880,000 Virgin Islands Public Finance Authority Revenue Bonds (Gross Receipts Taxes Loan Note), Series 1999A issued on November 16, 1999 (the "Series 1999A Bonds"). The Series 1999A Bonds were issued as long-term working capital bonds to address the cash flow needs of the Government.

Following the audit of the Series 2006 Bonds, the IRS concluded that a portion of such bonds ($80 million) that refunded the Series 1999A Bonds should not have been issued, on the basis that the Government had "available amounts" that could have been used to defease certain of the Series 1999A Bonds that were refunded and that the issuance of the Series 2006 Bonds allowed such amounts to be invested at yields that exceeded the yield on such Series 2006 Bonds. As a result of the IRS's conclusion, the Authority, Government and IRS entered into a settlement agreement on August 27, 2013, pursuant to which the Authority agreed to pay $13,635,104 to the IRS to resolve this matter and retain the tax exemption of the Series 2006 Bonds. The Authority and Government believe that the concerns raised by the IRS in connection with the audit of the Series 2006 Bonds are not present in any other bond issues.

Hawkins Delafield & Wood LLP, Bond Counsel to the Authority in connection with the Series 2013A Bonds, did not serve as bond counsel for the Series 2006 Bonds or the Series 1999A Bonds.

TAX MATTERS

Opinion of Bond Counsel

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 2013A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code, and (ii) interest on the Series 2013A Bonds is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering 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 2013A 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 2013A 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 2013A Bonds is exempt from personal income tax imposed by the United States Virgin Islands or by any state, territory, or possession 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 2013A 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 2013A 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 2013A Bonds in order that interest on the Series 2013A 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 2013A 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 2013A 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 2013A 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 2013A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Series 2013A 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 2013A Bonds.

Prospective owners of the Series 2013A 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 2013A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Bond Premium

In general, if an owner acquires a Series 2013A 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 2013A 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 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 2013A 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 if the recipient is one of a limited class of exempt recipients. 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 2013A 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 2013A 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 2013A Bonds under federal or state law or otherwise prevent beneficial owners of the Series 2013A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Series 2013A Bonds. For example, the Fiscal Year 2014 Budget proposed on April 10, 2013, by the Obama Administration recommends a 28% limitation on itemized deductions and "tax preferences," including "tax-exempt interest." The net effect of such proposal, if enacted into law, would be that an owner of a Series 2013A Bond with a marginal tax rate in excess of 28% would pay some amount of federal income tax with respect to the interest on such Series 2013A Bond.

Prospective purchasers of the Series 2013A Bonds should consult their own tax advisors regarding the foregoing matters.

FINANCIAL STATEMENTS

Audited financial statements of the Authority for the fiscal year ended September 30, 2011, and the audited financial statements of the Government for the fiscal year ended September 30, 2011, are available from (i) the Authority or the Government, as applicable or (ii) the Electronic Municipal Markets Access ("EMMA") system in electronic format, at www.emma.msrb.org, which is operated by the Municipal Securities Rulemaking Board (the "MSRB"). See "CONTINUING DISCLOSURE."

The Authority has not finalized or filed its audited financial statements for the fiscal year ending September 30, 2012, which were due on June 30, 2013. The Government has not finalized or filed its audited financial statements for the fiscal year ending September 30, 2012, which were due on June 30, 2013.

The Series 2013A Bonds are secured solely by the Trust Estate established under the Indenture, including amounts payable to the Authority by the Government under the Series 2013A Loan Note. Such amounts are to be derived solely from 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 any information related to the Series 2013A Bonds. The Series 2013A 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 2013A Bonds.

MATCHING FUND REVENUE VERIFICATION

Global Insight, an economic consulting firm, has been engaged to verify Matching Fund Revenues received by the Government from fiscal year 1992 through fiscal year 2012, and to project Matching Fund Revenues for fiscal year 2013 through fiscal year 2041. See APPENDIX D – "IHS GLOBAL, INC. REPORT – VERIFICATION AND PROJECTION OF VIRGIN ISLANDS MATCHING FUND REVENUES FROM RUM SHIPMENTS TO THE U.S."

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Jefferies and Bostonia, on behalf of the Authority, to (i) compute the anticipated receipts of principal and interest on Defeasance Securities and the anticipated payments of principal and interest to redeem the Prior Bonds, and (ii) compute the yields on the Series 2013A Bonds and the Defeasance Securities was verified by The Arbitrage Group (the "Verification Agent"). Such computations were based solely upon information supplied by Jefferies and Bostonia, on behalf of the Authority. The Verification Agent has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions reflected in its report, or the achievability of future events.

LEGAL OPINIONS

The validity of the Series 2013A Bonds and certain other legal matters are subject to the approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. The proposed form of Bond Counsel opinion is set forth as APPENDIX E hereto.

Certain legal matters will be passed on for the Authority by its counsel, Birch, deJongh & Hindels PLLC, St. Thomas, Virgin Islands. Certain legal matters will be passed upon for the Government by the Office of the Attorney General of the Government. Hawkins Delafield & Wood LLP, Disclosure Counsel to the Authority, will deliver an opinion regarding certain matters to the Authority, the Government, Jefferies and Bostonia. Certain legal matters will be passed upon for Jefferies and Bostonia by their counsel, Ballard Spahr LLP, Washington, D.C.

FINANCIAL ADVISOR

The Authority has retained Fiscal Strategies Group of Berkeley, California, as financial advisor in connection with the issuance of the Series 2013A Bonds. Although Fiscal Strategies Group has assisted in the preparation of this Limited Offering Memorandum, 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 Limited Offering Memorandum.

CONTINUING DISCLOSURE

Prior Continuing Disclosure Non-Compliance

The Authority and the Government have entered into a number of continuing disclosure agreements in connection with bonds previously issued by the Authority. During the past five years, the Authority and the Government have not complied with the majority of their obligations under such continuing disclosure undertakings. Specifically, the Authority and the Government consistently have provided incomplete annual continuing disclosure filings and have failed to provide disclosure on a timely basis. The Authority has not finalized its annual filings for the fiscal year ending September 30, 2012, which were due to be filed with EMMA by June 30, 2013. The Government has not finalized its annual filings for the fiscal year ending September 30, 2012, which were due to be filed with EMMA by June 30, 2013. See "PLAN OF DISTRIBUTION – Elimination of Transfer and Resale Restrictions" for more information on the failure of the Authority and Government to provide continuing disclosure on a timely basis.

Continuing Disclosure Agreement

The Authority has entered into a continuing disclosure agreement for the Series 2013A Bonds that meets the requirements of Rule 15c2-12. See APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

RATINGS

Moody's, S&P and Fitch Ratings Inc. ("Fitch") have assigned the Series 2013A Bonds ratings of "Baa2" (with a stable outlook), "BBB" (with a positive outlook) and "BBB" (with a stable outlook), respectively. The Moody's and S&P ratings represent affirmations of existing ratings; the Fitch rating represents a downgrade (from "BBB+").

Moody's and S&P are expected to assign the insured ratings of "A2" (with a stable outlook) and "AA-" (with a stable outlook), respectively, to the Insured Bond, based upon the issuance of the Policy by AGM at the time of delivery of the Insured Bond.

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 2013A 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 2013A Bonds.

BOND PURCHASE AGREEMENT

The Authority, Jefferies and Bostonia have entered into a bond purchase agreement, dated September 10, 2013 (the "Bond Purchase Agreement"). Subject to the terms and conditions set forth therein, Jefferies and Bostonia have agreed to use their best efforts to solicit offers to purchase the Series 2013A Bonds from certain institutional investors.

Pursuant to the Bond Purchase Agreement, Jefferies and Bostonia have agreed to pay to the Authority the aggregate purchase price of the Series 2013A Bonds of $38,091,708.28 (representing the $36,000,000.00 par amount of the Series 2013A Bonds, plus original issue premium of $2,679,288.00, less Jefferies' and Bostonia's fee of $216,000.00, less expenses of Jefferies and Bostonia in the amount of $258,012.94, and less the bond insurance premium for the Insured Bonds of $113,566.78.

The obligation of Jefferies and Bostonia to pay for and accept delivery of any Series 2013A Bonds is subject to, among other things, the sale of those Series 2013A Bonds to institutional investors, the receipt of certain legal opinions and the satisfaction of other conditions set forth in the Bond Purchase Agreement. Pursuant to the Bond Purchase Agreement, Jefferies and Bostonia have agreed, as representatives of the Authority, to use their best efforts to solicit offers to purchase the Series 2013A Bonds from one or more Qualified Buyers, subject to the understanding that Jefferies' and Bostonia's roles shall be only that of a riskless principal and they have no obligation to transfer funds to the Authority except to the extent they have firm orders from Qualified Buyers. The Bond Purchase Agreement also provides that the Authority, under certain circumstances, will indemnify Jefferies and Bostonia and that Jefferies and Bostonia, under certain circumstances, will indemnify the Authority against certain civil liabilities under federal or state securities laws.

MISCELLANEOUS

In this Limited Offering Memorandum, any summaries or descriptions of provisions in the Indenture, the Series 2013A Loan Agreement, the Series 2013A Loan Note, the Cruzan Agreement, the Diageo Agreement and the Special Escrow Agreement and all references to other materials not purported to be quoted in full are only brief outlines of certain provisions thereof and do not constitute complete statements of such documents or provisions. Reference is hereby made to the complete documents relating to such matters for further information, copies of which may be obtained from the principal corporate trust office of the Trustee.

Any statement in this Limited Offering Memorandum involving matters of estimates or opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Limited Offering Memorandum is not to be construed as a contract or agreement between the Authority and the owners or holders of, or of interests in, any of the Series 2013A Bonds.

Financial and statistical information has been provided by the Authority and the Government, certain of its agencies and instrumentalities and other sources deemed reliable by the Authority and the Government. Jefferies and Bostonia are not responsible for any of such information nor have Jefferies and Bostonia independently verified such information.

This Limited Offering Memorandum is submitted in connection with the sale of the Series 2013A Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. The execution and delivery of this Limited Offering Memorandum has been duly authorized by the Authority.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

By: /s/ John P. deJongh, Jr.
The Honorable John P. deJongh, Jr.
Chairman

APPENDIX A

GLOSSARY OF CERTAIN DEFINED TERMS

Certain terms used in the Indenture, the Eighth Supplemental Indenture, the Amended and Restated Special Escrow Agreement and the Loan Agreement are defined below unless otherwise defined herein or the context clearly indicates otherwise. When and if such terms are used in this Limited Offering Memorandum they shall have the meanings set forth below. Any capitalized term used in this Limited Offering Memorandum regarding the Indenture, the Eighth Supplemental Indenture, the Amended and Restated Special Escrow Agreement and the Loan Agreement and not defined herein shall have the meaning given such term by the Indenture, the Eighth Supplemental Indenture, the Amended and Restated Special Escrow Agreement and the Loan Agreement.

Accreted Value means with respect to any Bond that is a Capital Appreciation Bond, for each authorized denomination, an amount equal to the principal amount of such 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 Indenture) beginning on the dated date of such 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 Capital Appreciation Bond means the amount set forth for such date in the applicable Supplemental Indenture authorizing such 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, 48 U.S.C. 1574, et seq. (West 1987), the laws of the Virgin Islands including Title 29, Chapter 15 of the Virgin Islands Code, 2013 V.I. Act 7509, 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 Bonds means Bonds other than the Initial Series of 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 Subordinated Lien Bonds, for such period taking into account the following adjustments:

(i) With respect to 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 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 Bonds shall be determined as if such Bonds bore interest at the fixed interest rate payable by the Authority under such Qualified Swap Agreement, and (2) if (A) Bonds of a specific maturity within a Series bear interest at a Variable Interest Rate and Bonds which bear a Variable Interest Rate of another Series with the same maturity are issued in an equal principal amount to the first such Series of Bonds of the same maturity and (B) the Variable Interest Rate of the first Series of such Bonds varies inversely to the Variable Interest Rate of the second Series of such Bonds of the same maturity so that the combined interest rate for the aggregate principal amount of such 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 Bonds remain Outstanding, the aggregate Debt Service thereon shall be determined as if all such Variable Rate 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 Bonds.

(ii) With respect to Fixed Interest Rate 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 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 Bonds is determined as if such Bonds bore interest at the Certified Interest Rate on the notional amount of such Bonds.

(iii) Except to the extent described in (iv) below, with respect to 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 Bonds during such period.

(iv) With respect to Optional Tender 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 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 Bonds on any Purchase Date following the application of any proceeds of any remarketing of such Bonds.

(v) The aggregate Debt Service for any period on any Bonds shall not include (1) any interest which is payable from Capitalized Interest which is to be transferred to the Debt Service Accounts for payment of interest on such Bonds or (2) the amount of Debt Service on 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 Indenture to make interest payments on such 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 hereunder, 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 Capital Appreciation Bonds and the Appreciated Value of any 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 Indenture authorizing such Capital Appreciation Bonds or 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 Bonds.

Amended and Restated Special Escrow Agreement means the Amended and Restated Special Escrow Agreement by and among the Government, the Authority and the Special Escrow Agent, dated as of August 1, 2012, as the same may be supplemented or amended from time to time.

Annual Administrative Fee means the amount authorized to be transferred annually from the Senior Lien Expense Account and the Subordinated Lien Expense Account 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 Bonds in the respective Bond Year.

Appreciated Value means with respect to any Bond that is a Deferred Interest Bond until the Interest Commencement Date thereon, for each authorized denomination, an amount equal to the principal amount of such 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 Indenture) beginning on the dated date of such 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 Bond that is a Deferred Interest Bond means the amount set forth for such date in the Supplemental Indenture authorizing such 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.

Approved Project means any public improvement or public undertaking authorized by act of the Legislature of the Virgin Islands and by resolution of the Authority to be financed with the proceeds of Authority bonds.

Arbitrage and Use of Proceeds Certificate means the Arbitrage and Use of Proceeds Certificate dated September 19, 2013, of the Authority and the Government, relating to the requirements of Sections 148 and 103 of the Code for exemption of interest on the Series 2013A Bonds from federal income tax.

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 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 Indenture or a Supplemental Indenture as set forth in a Supplemental Indenture or a certificate of the Authority which has been delivered to the Trustee.

Bankruptcy Code means the Federal Bankruptcy Code, 11 U.S.C. §§101, et seq. and any amendments thereto.

Board means the Board of Directors of the Authority.

Bond or **Bonds** means any bond or bonds, as the case may be, issued pursuant to the Indenture or any Supplemental Indenture, and may include notes, commercial paper, or other obligations and shall include Senior Lien Bonds and Subordinate Lien Bonds.

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.

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

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

Bond Related Costs means (i) all costs, fees and expenses of the Authority incurred or reasonably related to any Liquidity Facility, any 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 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 and other advisors retained by the Authority in connection with a Series of Bonds, and (iii) any other fees, charges and expenses that may be lawfully incurred by the Authority relating to Bonds, including, without limitation, any obligation of the Authority to a Credit Provider for a Series of 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 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 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 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 Bonds.

Borrower means the Government of the Virgin Islands.

Bostonia means Bostonia Global Securities LLC.

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 Special Escrow Agent or banking institutions organized under the laws of the United States Virgin Islands are legally authorized to close.

Calculation Agent means, collectively, the Diageo Calculation Agent and the Cruzan Calculation Agent.

Capital Appreciation Bonds means any 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 Capital Appreciation Bond that is redeemed prior to maturity, and (ii) computing the principal amount of Capital Appreciation Bonds held by the Owner thereof in giving any notice, consent, request, or demand pursuant to the applicable Supplemental Indenture for any purpose whatsoever, the Accreted Value of a Capital Appreciation Bond as of a specific date shall be deemed to be its principal amount as of such date.

Capitalized Interest means that portion of the proceeds of any Series of Bonds together with any available earnings thereon that are intended to be used to pay interest due or to become due on any 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 Bond if on the date of such certification such Bond was issued as a 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 herein shall be deemed to include the Treasury Regulations proposed or in effect thereunder and applicable to the Bonds.

Construction Account means the account of that name established pursuant to the Indenture.

Continuing Disclosure Agreement means the Continuing Disclosure Agreement, dated as of September 1, 2013, between the Authority and Digital Assurance Certification, L.L.C.

Corporate Trust Office means the principal 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 Indenture is dated, located at 10161 Centurion Parkway, Jacksonville, FL 32256 except that, with respect to presentation of 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 Indenture is dated, is the same address as the corporate trust office as indicated above.

Cost of Issuance means the items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of 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; 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 Bonds; and other administrative or other costs of issuing, carrying and repaying such Bonds and investing the proceeds thereof.

Cost of Issuance Account means the account of that name established pursuant to the 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 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 Bonds with respect to all or a specific portion of one or more Series of Bonds to satisfy in whole or in part the Authority's obligation to maintain a Debt Service Reserve Requirement with respect thereto or to secure (a) the payment of Debt Service (which may include the premium due on payment of a Bond), on 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 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 and the payment of the purchase price on a specified Series of Bonds, or a specific portion thereof.

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 means the Agreement, dated October 6, 2009, as amended pursuant to the Amendments dated March 22, 2012, each entered into by and between Cruzan and the Government, and ratified by the Legislature of the Virgin Islands on October 27, 2009 and April 25, 2012, respectively, as the same may be further amended and supplemented in accordance with the terms thereof.

Cruzan Calculation Agent means Bert Smith & Co. or such other independent certified public accounting firm to be appointed pursuant to the Cruzan Calculation Agent Agreement.

Cruzan Calculation Agent Agreement means the Calculation Agent Agreement, dated as of August 1, 2011, by and among the Government, the Authority, Cruzan, the Trustee, in its capacity as the Cruzan Special Escrow Agent, and the Cruzan Calculation Agent.

Cruzan Incremental Cover Over Revenues means Matching Fund Revenues payable to or on behalf of Cruzan under the Cruzan Agreement.

Cruzan Project Implementation Agreement means the Cruzan Project Implementation Agreement, by and among the Government, the Authority, Cruzan and the Cruzan Trustee, dated as of December 1, 2009.

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 Agreement means the Cruzan Special Escrow Agreement by and among 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 Subordinated Indenture means the Subordinated Indenture of Trust, dated as of December 1, 2009, by and between the Authority and the Cruzan Trustee, as the same may be supplemented or amended from time to time.

Cruzan Subordinate Lien Bonds means the Authority's $39,190,000 aggregate principal amount of Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note-Cruzan Project) issued under the Cruzan Subordinated Indenture.

Cruzan Trustee means The Bank of New York Mellon Trust Company, N.A., as trustee under the Cruzan Subordinated Indenture.

Current Interest Bonds means all Bonds which are not (a) Capital Appreciation Bonds or (b) prior to the Interest Commencement Date, Deferred Interest Bonds.

Debt Service for any period means, as of any date of calculation and with respect to any Series of Bonds then Outstanding, the Bond Service Charges on such series. For purposes of this definition, unless provided to the contrary in an applicable Supplemental Indenture authorizing the issuance of Capital Appreciation Bonds and Deferred Interest Bonds, the scheduled principal and interest portions of the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of 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 or **Accounts** means the Senior Lien Debt Service Account or the Subordinate Lien Debt Service Account, or, collectively, the Senior Lien Debt Service Account and the Subordinate Lien Debt Service Account, as applicable.

Debt Service Reserve Account or **Accounts** means the Senior Lien Debt Service Reserve Account or the Subordinate Lien Debt Service Reserve Account, or, collectively, the Senior Lien Debt Service Reserve Account and the Subordinate Lien Debt Service Reserve Account established pursuant to the Indenture.

Debt Service Reserve Account Credit Facility means a Credit Facility provided to satisfy all or any portion of a Debt Service Reserve Requirement.

Debt Service Reserve Account Credit Provider means the Credit Provider of a Debt Service Reserve Account Credit Facility.

Debt Service Reserve Requirement means, as of any date of calculation, the sum of the Debt Service Reserve Requirements applicable to Bonds then Outstanding. The Debt Service Reserve Requirement may be calculated individually for each Series of Bonds or in the aggregate if more than one Series of Bonds are issued at the same time, and as set forth in the applicable Supplemental Indenture. The Debt Service Reserve Requirement may be satisfied by cash, Permitted Investments or a Debt Service Reserve Account Credit Facility, or any combination thereof.

Defeasance Securities means

(i) direct and general obligations of, or obligations which as to principal and interest are unconditionally guaranteed as to full and timely payment by, the United States of America, to the payment of which the full faith and credit of the United States of America is irrevocably and unconditionally pledged. The obligations described in this paragraph are hereinafter called "United States Government Obligations."

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

(1) the municipal obligations (A) are not subject to redemption prior to maturity or (B) the trustee has been given irrevocable instructions concerning their calling 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 such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the municipal obligations.

(4) the cash and United States Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee.

(5) the United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent.

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

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

Diageo or **Diageo USVI** means Diageo USVI Inc., a corporation duly organized and existing under the laws of the United States Virgin Islands and its affiliates.

Diageo Agreement means 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.

Diageo Calculation Agent means Deloitte (Virgin Islands) LTD., or such other independent certified public accounting firm to be appointed pursuant to the Diageo Calculation Agent Agreement.

Diageo Calculation Agent Agreement means the Calculation Agent Agreement, dated as of August 1, 2011, by and among the Government, the Authority, Diageo, the Trustee, in its capacity as the Diageo Special Escrow Agent, and the Diageo Calculation Agent.

Diageo Incremental Cover Over Revenues means Matching Fund Revenues payable to or on behalf of Diageo under the Diageo Agreement.

Diageo Project Implementation Agreement means the Diageo Project Implementation Agreement, by and among the Government, the Authority, Diageo and the Diageo Trustee, dated as of June 1, 2009.

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

Diageo Subordinated Indenture means the Subordinated Indenture of Trust, dated as of July 1, 2009, by and between the Authority and the Diageo Trustee, as the same may be supplemented or amended from time to time.

Diageo Subordinate Lien Bonds means the Authority's $250,000,000 aggregate principal amount of Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note-Diageo Project) issued under the Diageo Subordinated Indenture.

Diageo Trustee means The Bank of New York Mellon Trust Company, N.A., as trustee under the Diageo Subordinated Indenture.

Eighth Supplemental Indenture means the Eighth Supplemental Indenture of Trust, dated as of September 1, 2013, between the Authority and the Trustee, which further supplements the Indenture.

Escrow Agent means The Bank of New York Mellon Trust Company, N.A.

Escrow Trust Agreement means the Escrow Trust Agreement, dated as of September 1, 2013, by and between the Authority and the Escrow Agent.

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

Fiscal Year means the Authority's fiscal year, which is currently October 1 to the following September 30.

Fitch means Fitch Ratings, or any successor thereof which qualifies as a Rating Agency hereunder.

Fixed Interest Rate Bond means (i) a 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 Bonds of a specific maturity described in clause (2)(A) and (B) of paragraph (i) of the definition of Adjusted Debt Service Requirement.

Funds means those funds and accounts specified in the Indenture.

Government means the Government of the United States Virgin Islands.

Indenture means the Indenture of Trust dated as of May 1, 1998, between the Authority and the Trustee and, as to each Series of Bonds, the Supplemental Indenture pertaining thereto, as the Indenture or any Supplemental Indenture may from time to time be amended or supplemented in accordance with the terms hereof.

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 either the Authority or the Trustee (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 pursuant to the Indenture in connection with the issuance of Additional Senior Lien or Subordinate Lien Bonds.

Initial Series of Bonds means the Series 1998A, Series 1998B, Series 1998C, Series 1998D and Series 1998E Bonds.

Interest Commencement Date means, with respect to any particular Deferred Interest Bonds, the date specified in the applicable Supplemental Indenture authorizing such Deferred Interest Bonds (which date must be prior to the maturity date for such Deferred Interest Bonds), after which interest accruing on such 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 Indenture as a date for the payment of interest to Owners of Bonds of a specific Series.

Interest Payment Period with respect to any Bond or Series of Bonds, means if prior to the first Interest Payment Date, the period from but not including the date specified in each Supplemental 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 including a regularly scheduled Interest Payment Date, in each case to the period from but not and including the next regularly scheduled Interest Payment Date, provided that any Supplemental Indenture may adjust this definition with respect to any Bond or Series of

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 Bond or Series of Bonds on any Interest Payment Date.

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

Jefferies means Jefferies LLC.

Letter of Representation means the Letter of Representation from the Authority to the Depository in substantially the form set forth in Appendix A to the Indenture, or such 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 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 a loan agreement by and between the Authority and the Borrower, as the same may from time to time be amended or supplemented in accordance with the terms thereof.

Loan Notes means with respect to each of the Series of the Bonds, the special limited obligation note in the aggregate principal amount of each of the respective Series of Bonds issued by the Authority for the benefit of the Borrower, each note signed by the Borrower and delivered to the Authority, and collectively, all such Loan Notes.

Mandatory Sinking Fund Requirements means the principal amount of Term 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 Indenture.

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

Matching Fund Revenues means amounts paid to the Special Escrow Agent on behalf of the Government of the Virgin Islands pursuant to Section 28(b) of the Revised Organic Act, 48 U.S.C. §§ 1574-1574c (West 1987), or any successor provisions thereto.

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.

Non-AMT Tax-Exempt Investment means an investment that meets both of the following criteria: (i) it is a tax-exempt bond the interest on which is excludable from gross income under Section 103 of the Code; and (ii) it is a tax-exempt bond that is not subject to the alternative minimum tax in that it is not a specified private activity bond under Section 57(a)(5)(C) of the Code.

Officer's Certificate means a certificate signed by an Authorized Officer.

Optional Tender Bonds means any 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 Indenture may expressly provide that specific Bonds are not "Optional Tender Bonds" if, in the reasonable judgment of the Authority, the tender requirements of such Bonds are not of the character intended to be included within this definition.

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

(i) 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 for in the Indenture) shall have been theretofore deposited with the Trustee or Paying Agent in trust for the Owners of such Bonds; provided, however, that if such Bonds are to be redeemed, notice of such redemption shall have been duly given pursuant to the Indenture or irrevocable action shall have been taken to call such Bonds for redemption at a stated redemption date.

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

(iv) Optional Tender Bonds deemed tendered in accordance with the provisions of the Supplemental Indenture authorizing such 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 Bonds Outstanding for the purposes of direction, consent, approval or waiver under the terms and provisions of the Indenture and any Supplemental Indenture: (1) the aggregate "principal amount" of any Bonds that are 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 Bonds that are 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 Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the Authority shall be disregarded and deemed not to be Outstanding 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 Bonds which the Trustee knows to be so owned shall be disregarded.

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

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

Participants means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds 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, or the United States of America, or any national banking association designated as paying agent for the Bonds, and its successor or successors hereafter appointed in the manner provided in the Indenture or a Supplemental Indenture.

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 Indenture:

(i) direct obligations of the United States or obligations guaranteed as to principal and interest by the United States.

(ii) general obligations of any state, territory, possession or commonwealth of the United States with a rating at the time of purchase in either of the two highest Rating Categories as designated by any Rating Agency.

(iii) prerefunded obligations of any state, territory, possession or Commonwealth of the United States or political subdivision thereof secured by cash or obligations listed in subsection (i) above, with a rating at the time of purchase in one of the two highest Rating Categories as designated by S&P or any Rating Agency then rating the Bonds.

(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 with a rating at the time of purchase in one of the two highest Rating Categories as designated by S&P or any Rating Agency.

(v) obligations issued, or the principal of and interest on which are unconditionally guaranteed, by any agency or instrumentality of or a corporation wholly owned by the United States with a rating at the time of purchase in one of the two highest Rating Categories as designated by any Rating Agency.

(vi) 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 and further provided that (1) such agreements are fully secured by obligations set forth in (i), (ii), and (iii) above; (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 and is held by the Trustee or its agent or, in the case of uncertificated securities, is registered in the name of the Trustee as pledgee; (4) the Trustee has a valid security interest in such collateral, (5) such agreements 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 (6) shall be rated in one of the two highest Rating Categories as designated by S&P or any Rating Agency then rating the Bonds.

(vii) investment agreements, guaranteed investment contracts or similar funding agreements issued by insurance companies or other financial institutions; provided that (1) such agreements are fully secured by obligations set forth in (i), (ii) and (iii) above; (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 and is held by the Trustee or its agent or, in the case of uncertificated securities, is registered in the name of the Trustee as

pledgee; (4) the Trustee has a valid security interest in such collateral; (5) 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 (6) such insurance company or financial institution is rated in one of the two highest Rating Categories designated by S&P or any Rating Agency then rating the Bonds.

(viii) U.S. dollar denominated bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase in the highest short-term rating category by a national rating agency 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).

(ix) Certificates of deposit with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase in the two highest short-term rating categories by S&P or any Rating Agency rating the Bonds and maturing no more than 360 days after the date of purchase. Certificates of deposit will be placed directly with depository institutions and secured by obligations set forth in (i), (ii) and (iii) above; (2) such collateral is not subject to liens of claims of third parties; (3) such collateral has a market value at least equal to (102%) of the amount invested and is held by the Trustee or its agent or, in the case of uncertificated securities, are registered in the name of the Trustee as pledgee; (4) the Trustee has a valid security interest in such collateral and (5) 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.

(x) Investments in a money market fund rated in the two highest rating categories by S&P or any other Rating Agency rating the Bonds including money market funds sponsored by the Authority.

(xi) Commercial Paper issued by U.S. Corporations which is rated at the time of purchase in the two highest short-term rating category by S&P or any other Rating Agency rating the Bonds 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 (vi), (vii) and (viii) 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, 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 Bonds or specific Bond within a Series of Variable Rate Bonds and related to the Credit Facility for such Bonds.

Pledged Revenue Account means the fund by that name established pursuant to the Indenture.

Principal Installment means, as of any date of calculation and with respect to the Bonds, so long as any Bonds thereof are Outstanding, (i) the principal amount of 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 Bonds.

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

Proportionate Basis means, when used with respect to the redemption of Bonds of a specific Series, that the aggregate principal amount of such 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 Bonds of that Series to be redeemed bears to the principal amount of all Bonds of that Series then Outstanding; provided that if the amount available for redemption of 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 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 Indenture. Any 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 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 Bonds are purchased pursuant to the Indenture or any applicable Supplemental Indenture.

Qualified Buyer means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act (17 C.F.R. § 230.144A) ("Rule 144A"); provided, however, that, in the case of a family of investment companies as defined in Rule 144A that have the same investment adviser and own in the aggregate at least $100 million in securities other than the Series 2013A Bonds, each investment company member shall be considered a Qualified Buyer; and provided, however, that, a purchaser during the primary offering who, in the opinion of Jefferies and Bostonia, otherwise satisfies the requirements of Section (d)(1)(i) of Rule 15c2-12 without regard to their status as "qualified institutional buyer" shall (upon consent of the Authority) also be considered a Qualified Buyer.

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 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 Bonds.

Rating Category means a generic securities rating category, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

Rebate Account means the Rebate Account established pursuant to the Indenture and the applicable Supplemental Indenture.

Rebate Amount shall have the meaning set forth in the Eighth Supplemental Indenture.

Rebate Amount Certificate shall have the meaning set forth in the Eighth Supplemental 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 Bonds, unless otherwise provided by any Supplemental 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 Bond, the principal amount of such Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond, the Indenture or the applicable Supplemental Indenture.

Related Agreements or **Related Documents** means any Credit Facility, Credit Agreement or Pledge Agreement related to a Series of Bonds or a specific portion thereof, including security agreements or instruments heretofore or hereafter made for the benefit and with the consent of the Trustee or a Credit Provider as creditor to secure payment of any Series of Bonds or a specific portion thereof or any amount due to a Credit Provider; but excluding the Indenture and all Supplemental Indentures; provided, that the term "Related Agreements" or "Related Documents," when used in relation to a specific Series of Bonds or a specific portion thereof, shall include only such Related Agreements or Related Documents as have been entered into for such Series of 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 Bonds or a specific portion thereof.

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

Revenues means (i) any proceeds and collections from any Loan Notes deposited in the Pledged Revenue Account, including any investment earnings earned thereon, and (ii) any proceeds which arise with respect to any disposition of the Trust Estate.

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

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

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

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

Senior Lien Debt Service Account means the fund by the name established pursuant to the Indenture.

Senior Lien Debt Service Reserve Account means the fund by that name established pursuant to the Indenture.

Senior Lien Expense Account means the Account by that name established pursuant to the Indenture.

Senior Lien Interest Subaccount means the Subaccount by that name in the Senior Lien Debt Service Account established pursuant to the Indenture and the applicable Supplemental Indenture.

Senior Lien Principal Subaccount means the subaccount by that name in the Senior Lien Debt Service Account established pursuant to the Indenture and the applicable Supplemental Indenture.

Senior Lien Redemption Subaccount means the subaccount by that name in the Senior Lien Debt Service Account established pursuant to the Indenture and the applicable Supplemental Indenture.

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

Series 2004A Bonds means the Authority's $94,000,000 Revenue Bonds (Virgin Islands Matching Fund Loan Note) Series 2004A, issued pursuant to the Second Supplemental Indenture, dated as of December 1, 2004, by and between the Authority and the Trustee.

Series 2004A Bonds to be Refunded means the Series 2004A Bonds described more particularly in APPENDIX H hereto.

Series 2009A-1 Bonds means the Authority's $86,350,000 Revenue Bonds (Virgin Islands Matching Fund Loan Note) Series 2009A-1 (Senior Lien/Capital Projects/Tax-Exempt), issued pursuant to the Fourth Supplemental Indenture.

Series 2009A-1 Bonds to be Refunded means the Series 2009A-1 Bonds described more particularly in APPENDIX H hereto.

Series 2009B Bonds means the Authority's $266,330,000 Refunding Bonds (Virgin Islands Matching Fund Loan Note) Series 2009B (Senior Lien/Refunding), issued pursuant to the Fourth Supplemental Indenture.

Series 2009B Bonds to be Refunded means the Series 2009B Bonds described more particularly in APPENDIX H hereto.

Series 2013A Bonds means the $36,000,000 Revenue Refunding Bonds, Series 2013A (Senior Lien) authorized to be issued pursuant to the Eighth Supplemental Indenture.

Series 2013A Senior Lien Debt Service Reserve Requirement means for the Series 2013A Bonds an amount equal to the least of (a) the maximum principal and interest due on the Series 2013A Bonds in the current or any future Fiscal Year, (b) 10% of the original stated principal amount of the Series 2013A Bonds (or 10% of the issue price of the Series 2013A Bonds if required by the code) or (c) 125% of the average annual principal and interest due on the Series 2013A Bonds in the current and each future Fiscal Year.

Series 2013A Senior Lien Debt Service Reserve Subaccount means the Series 2013A Senior Lien Debt Service Reserve Subaccount of the Senior Lien Debt Service Reserve Account established pursuant to the Eighth Supplemental Indenture.

Series 2013A Senior Lien Expense Subaccount means the Series 2013A Senior Lien Expense Subaccount of the Senior Lien Expense Account established pursuant to the Eighth Supplemental Indenture.

Series 2013A Senior Lien Interest Subaccount means the Series 2013A Senior Lien Interest Subaccount of the Senior Lien Interest Subaccount established pursuant to the Eighth Supplemental Indenture.

Series 2013A Senior Lien Principal Subaccount means the Series 2013A Senior Lien Principal Subaccount of the Senior Lien Principal Subaccount established pursuant to the Eighth Supplemental Indenture.

Series 2013A Loan Agreement means the Loan Agreement, dated as of September 1, 2013, by and among the Government, the Authority and the Trustee, entered into in connection with the issuance of the Series 2013A Bonds.

Series 2013A Loan Note means the Government's 2013A Matching Fund Loan Note in the principal amount of $36,000,000.

Series 2013A Rebate Account means the Series 2013A Rebate Account established pursuant to the Eighth Supplemental Indenture.

Series 2013A Senior Lien Redemption Subaccount means the Series 2013A Senior Lien Redemption Subaccount of the Senior Lien Redemption Subaccount established pursuant to the Eighth Supplemental Indenture.

Series 2013A Senior Lien Cost of Issuance Subaccount means the Series 2013A Senior Lien Cost of Issuance Subaccount of the Cost of Issuance Account established pursuant to the Eighth Supplemental Indenture.

Sinking Fund Installment means with respect to any Series of Bonds an amount so designated which is established pursuant to the Supplemental Indenture authorizing such Series of 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 Escrow Agent means The Bank of New York Trust Company, N.A., successor to U.S. Trust Company of New York, the special escrow agent under the Amended and Restated Special Escrow Agreement, or any successor thereto.

Special Escrow Fund means the Special Escrow Fund established under the Amended and Restated Special Escrow Agreement.

Special Record Date means if the Authority shall be in default in payment of principal or interest due, a special Record Date for the payment of such defaulted principal or interest established by notice mailed by the Trustee 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.

Subordinate Lien Bonds means obligations of the Authority issued pursuant to any Supplemental Indenture as Subordinate Lien Bonds permitted under the Indenture.

Subordinate Lien Debt Service Account means the fund by that name established pursuant to the Indenture.

Subordinate Lien Debt Service Reserve Account means the fund by that name established pursuant to the Indenture.

Subordinate Lien Interest Subaccount means the subaccount by that name in the Subordinate Lien Debt Service Account established pursuant to the Indenture.

Subordinate Lien Principal Subaccount means the subaccount by that name in the Subordinate Lien Debt Service Account established pursuant to the Indenture.

Subordinate Lien Redemption Subaccount means the subaccount by that name in the Subordinate Lien Debt Service Account established pursuant to the Indenture.

Supplemental Indenture means any indenture amending or supplementing the Indenture in accordance with the terms hereof.

Surplus Account means the Surplus Account established pursuant to the Indenture.

Swap Provider means the counter party with whom the Authority enters into a Qualified Swap Agreement.

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

Tax-Exempt Bonds means Bonds issued pursuant to the 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 Bonds is excludable 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 hereunder, 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 Bonds from gross income for federal income tax purposes.

Term Bonds means Bonds which are designated in a Supplemental 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 the Bonds. Any reference to a section of the Treasury Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to the Code and applicable to the Bonds.

Trustee means The Bank of New York Mellon Trust Company, N.A., successor to U.S. Trust Company of New York, a federal banking association duly organized and existing under the laws of the United States, designated as trustee under the Indenture, and its successor or successors hereafter appointed in the manner provided in the Indenture.

Trust Estate means the Revenues and the rights to receive the same, the tangible and intangible properties, rights and other assets described in the Granting Clauses of the Indenture as from time to time supplemented, and (with respect to a specific Series of Bonds or specific Bonds within a Series) such funds, rights, properties and assets pledged to secure a Series of Bonds or specific Bonds within a Series pursuant to a Supplemental Indenture.

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

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

Variable Rate Bonds means any 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 INDENTURE, THE EIGHTH SUPPLEMENTAL INDENTURE AND THE AMENDED AND RESTATED SPECIAL ESCROW AGREEMENT

THE INDENTURE

The following is a summary of certain provisions of the Indenture. Such summary does not purport to be complete or definitive and reference is made to the 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."

Pledge of Revenues. The 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 Indenture solely from Revenues, and secured by a lien on and security interest in the Trust Estate, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the 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 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 Bonds.

Authorization of Bonds. The Indenture authorizes Bonds of the Authority to be issued and designated as "Revenue Bonds (Virgin Islands Matching Fund Loan Notes)" or "Revenue and Refunding Bonds (Virgin Islands Matching Fund Loan Notes)," as applicable. The aggregate principal amount of the Bonds under the Indenture and Supplemental Indenture is not limited except as provided in the Indenture, the Act, or as may be limited by law.

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

Additional Bonds; Other Revenue Obligations. All of the Bonds issued under a Supplemental Indenture shall have a lien upon the Trust Estate as provided in the Indenture and shall be prior to any other charge and lien upon the Trust Estate. Except as permitted by the Indenture, no obligations payable from Revenues or secured by a lien on the Trust Estate shall be hereafter issued. If no Event of Default has occurred or will contemporaneously, the Authority may issue Additional Bonds with a Supplemental Indenture.

Additional Senior Lien Bonds. (a) Senior Lien Bonds shall be payable from Revenues and secured by a lien on the Trust Estate (except as to any Credit Facility which secures only a specific Series of Bonds or specific 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 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 Matching Fund Revenues received by the Borrower for its immediately preceding Fiscal Year, (B) the average amount of Matching Fund Revenues received by the Borrower for the immediately preceding three (3) Fiscal Years prior to the issuance of such Additional Senior Lien Bonds, and (C) the average Matching Fund Revenues projected to be received by the Borrower in the next succeeding two (2) Fiscal Years following issuance of such 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 Senior Lien Bonds; and (3) (A) that the average Matching Fund Revenues received by the Borrower for the immediately preceding three Fiscal Years prior to the issuance of such Additional Senior Lien Bonds equaled or exceeded one hundred fifty percent (150%) of the amount of maximum Adjusted Debt Service Requirement (including such proposed Additional Bonds) in the current or any subsequent Bond Year, (B) the average Matching Fund Revenues projected to be received by the Borrower for the next succeeding two (2) Fiscal Years following the issuance of the Additional Senior Lien Bonds, without regard to the projected (i) Diageo Incremental Cover Over Revenues and (ii) Cruzan Incremental Cover Over Revenues, each as certified by the Calculation Agent, is projected to equal to or exceed one hundred fifty percent (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 Matching Fund Revenues projected to be received by the Borrower for the next succeeding two (2) Fiscal years following the issuance of the additional Senior Lien Bonds, without regard to the projected (i) Diageo Incremental Cover Over Revenues and (ii) Cruzan Incremental Cover Over Revenues, each as certified by the Calculation Agent, is projected to equal to or exceed one hundred twenty percent (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 Subordinate Lien Bonds.

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

(c) Any Supplemental Indenture that authorizes Senior Lien Bonds under this Section shall establish the amount that shall be the Debt Service Reserve Requirement to be funded in connection with such Series of Bonds and may amend the 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 Bonds of any Series then Outstanding except such Series of Senior Lien Bonds.

(d) 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.

(e) The conversion of Senior Lien Bonds that are Variable Rate Bonds to Fixed Interest Rate Bonds shall not be treated as the issuance of additional Senior Lien Bonds subject to the other

requirements of this Section 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.

(f) Prior to the issuance of any Series of Senior Lien Bonds under the provisions of this Section, and as a condition precedent thereto, the following documents and showings shall be executed and delivered:

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

(ii) An Authority certificate setting forth information sufficient to satisfy the Trustee that the requirements set forth above have been fulfilled.

Additional Subordinate Lien Bonds. (a) Additional Subordinate Lien Bonds payable from Matching Fund Revenues and secured by a lien on the 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 Subordinate Lien Bonds if the Trustee shall receive:

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

(ii) a certificate of an Independent Verification Analyst stating (1) (A) the actual amount of Matching Fund Revenues received by the Borrower for its immediately preceding Fiscal Year, (B) the average amount of Matching Fund Revenues received by the Borrower for its immediately preceding two (2) Fiscal Years prior to the issuance of such Additional Subordinate Lien Bonds, and (C) the average Matching Fund Revenues projected to be received by the Borrower in the next succeeding two (2) Fiscal Years following issuance of such Subordinate Lien Bonds; (ii) the maximum annual Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Subordinate Lien Bonds after giving effect to the issuance of the proposed Subordinate Lien Bonds; and (3) (A) that the average Outstanding Matching Fund Revenues received by the Borrower for the immediately preceding three (3) Fiscal Years available after payment of Debt Service on any Outstanding Senior Lien Bonds and any Senior Lien Bonds to be issued simultaneously with such Additional Subordinate Lien Bonds (the "Available Matching Fund Revenues") equaled or exceeded one hundred twenty-five percent (125%) of the amount of the maximum Adjusted Debt Service Requirement in the current or any subsequent Bond Year and (B) the average Available Matching Fund Revenues projected to be received by the Borrower for the next succeeding two (2) Fiscal Years following the issuance of the Additional Subordinate Lien Bonds, without regard to the projected (i) Diageo Incremental Cover Over Revenues and (ii) Cruzan Incremental Cover Over Revenues, each as certified by the Calculation Agent, is projected to equal to or exceed one hundred twenty-five percent (125%) of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Subordinate Lien Bonds and such Additional Subordinate Lien Bonds, and (C) the average Matching Fund Revenues projected to be received by the Borrower for the next succeeding two (2) Fiscal Years following issuance of the Additional Subordinate Lien Bonds, without regard to the projected (i) Diageo Incremental Cover Over Revenues and (ii) Cruzan Incremental Cover Over Revenues, each as certified by the Calculation Agent, is projected to equal to or exceed one hundred twenty percent (120%) of the Adjusted Debt Service Requirement in the current or any subsequent Bond Year on Outstanding Senior Lien Bonds, Outstanding Subordinate Lien Bonds and such Additional Subordinate Lien Bonds.

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

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

(d) If the Additional Subordinate 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 Subordinate Lien Bonds in the amounts and at the times such amounts are required to be so set aside.

(e) The conversion of Subordinate Lien Bonds which are Variable Rate Bonds to Fixed Interest Rate Bonds shall not be treated as the issuance of additional Subordinate Lien Bonds subject to the other requirements of this Section unless the interest rate to be borne by such Subordinate 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.

(f) Prior to the issuance of any Series of Additional Subordinate Lien Bonds, and as a condition precedent thereto, the following documents and showings shall be executed and delivered:

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

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

(g) No Subordinate Lien Bond may be accelerated as long as any Senior Lien Bonds are Outstanding.

Refunding Bonds. Additional Bonds may be issued to refund Outstanding Bonds. The Additional Bonds may be on a parity with or subordinate to the Bonds that are being refunded and are not required to satisfy the tests for issuance of Additional Senior Lien Bonds or Additional Subordinate Lien Bonds if the aggregate Debt Service on the Refunding Bonds is equal to or less than aggregate Debt Service on the Refunded Bonds, provided that Additional Senior Lien Bonds issued to refund Outstanding Subordinate Lien Bonds must satisfy the requirements for issuance of Additional Senior Lien Bonds.

Supplemental Indenture. A Supplemental Indenture authorizing the issuance of a Series of Bonds may modify the terms of those Bonds and the prescribed form thereof in a manner consistent with the Indenture.

Credit Facilities. The Indenture or any Supplemental Indenture does not limit the Authority's right to obtain a Credit Facility for the benefit of the Owners of all or any portion of any Series of Bonds issued hereunder. Each Credit Facility shall be held by the Trustee for the sole and exclusive benefit of

the Owners of the Series of Bonds secured by such Credit Facility and not be an asset available for the benefit of the Owners of any other Bonds.

Book-entry System. Ownership of one or more fully registered Bonds for each maturity of each Series of Bonds shall be registered in the name of Cede and Company, as nominee for the Depository Trust Company ("DTC"). Payments of interest on, principal of, or any premium on such Series of Bonds shall be made to the account of the DTC on each payment date at the address indicated for the DTC in the Bond Register by transfer of immediately available funds. DTC maintains a book-entry system for recording ownership interests of its Direct Participants, and the ownership interests of a purchaser of a beneficial interest in the Bonds will be recorded through book entries on the records of the Direct Participants. With respect to 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 Bonds as specified in the Indenture. DTC may determine to discontinue providing its services with respect to the 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 Bonds and discharging its responsibilities with respect thereto under applicable law. Additionally, the Authority may terminate, upon provision of notice to the Trustee and any tender agent for a Series of Bonds, the services of the DTC with respect to a Series of Bonds if the continuation of the system of book entry-only transfers is not in the best interests of the Owners of the Bonds of the Series or is burdensome to the Authority. The Authority may select a new Depository or discontinue the services of a Depository and issue Bond certificates.

General Provisions. The Bonds shall be in minimum denominations of five thousand dollars ($5,000), or in integral multiples thereof in the form set forth in the exhibit to the appropriate Supplemental Indenture. The Authority shall execute the Bonds by the manual or facsimile signature of the Governor of the Virgin Islands with the seal or facsimile seal of the Authority and attestation by the manual or facsimile signature of the Secretary of the Authority in accordance with the provisions of the Indenture. The Bonds shall be transferable only upon the books of the Authority by the Trustee. In all cases in which the privilege of exchanging Bonds or transferring registered Bonds is exercised, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with, and subject to the restrictions of, the Indenture. Neither the Authority nor the Trustee shall be required (a) to transfer or exchange Bonds for a period beginning on the Record Date next preceding an interest payment date for the Bonds and ending on such interest payment date, or for a period of fifteen (15) days next preceding the date (as determined by the Trustee) of any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (b) to transfer or exchange any Bonds called or tendered for redemption, in whole or in part.

Exchanges and Transfers of Bonds. The Indenture provides when a Bond is exchanged or transferred, the Authority shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of the Indenture. Bonds surrendered for exchange or transfer shall be canceled by the Trustee. The Authority may only make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer. The Indenture provides specific time periods when the Authority and the Trustee cannot be required to transfer or exchange Bonds.

Redemption. Bonds subject to mandatory, optional or extraordinary redemption prior to maturity pursuant to any Supplemental Indenture shall be redeemable, upon notice, at such times, at such Redemption Prices and upon such terms in addition to the terms contained in the Indenture as may be specified in any Supplemental Indenture. At the election or direction of the Authority, the Board shall notify the Trustee of the Authority's decision to redeem and of the particulars of the redemption. If less than all of the Bonds of like maturity of any Series shall be called for prior redemption, the Trustee shall randomly select the particular Bonds or portions of the Bonds to be redeemed.

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 Bonds pursuant to the Indenture, and when redemption of Bonds is required or authorized pursuant to the Indenture, the Trustee shall give notice, in the name of the Authority, of the redemption of such Bonds, which notice shall specify the Series and maturities of the 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 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of 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 Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of 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 sixty (60) days nor less than thirty-five (35) days before the redemption date, to each of the Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the 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 Bonds. Notwithstanding the foregoing, failure to mail any such notice pursuant to the Indenture to any particular Owner of a Bond shall not affect the validity of any proceedings for the redemption of any other Bond.

Payment of Redeemed Bonds. Notice having been given in the manner provided in the Indenture, the 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 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 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 Bond so surrendered, at the option of the Owner thereof, Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to title 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 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 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.

Creation of Accounts, and Subaccounts; Deposit of and Use of Moneys. The proceeds of each Series of Bonds and all Revenues and other sums pledged and assigned by the Indenture to the Trustee for the benefit of Bondholders are to be deposited to the Accounts established by the Indenture and 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 Indenture. The Accounts and separate Subaccounts within the Accounts created with respect to each series of Bonds under the Indenture shall be held and administered by the Trustee or the Authority in accordance with the terms of the Indenture and may include the following:

(1) The 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 as provided in the Indenture or Supplemental Indenture, including, any of the following accounts therein:

(A) A Senior Lien Interest Subaccount;

(B) A Senior Lien Principal Subaccount;

(C) A Senior Lien Redemption Subaccount;

(D) A Senior Lien Credit Subaccount with respect to each Credit Facility which is not a Debt Service Reserve Account Credit Facility;

(E) Senior Lien Expense Subaccount;

(F) Senior Lien Purchase Subaccount;

(G) Capitalized Interest Subaccount;

(H) Any other Account or Subaccount established by the applicable Supplemental Indenture.

(3) The Senior Lien Debt Service Reserve Account, to be held by the Trustee, with such separate Series Senior Lien Debt Service Reserve Subaccounts and Senior Lien Credit Subaccounts therein as in any Supplemental Indenture;

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

(A) Subordinate Lien Interest Subaccount;

(B) Subordinate Lien Principal Subaccount;

(C) Subordinate Lien Redemption Subaccount;

(D) A Subordinate Lien Credit Subaccount with respect to each Credit Facility which is not a Debt Service Reserve Account Credit Facility;

(E) Subordinate Lien Expense Subaccount;

(F) Subordinate Lien Purchase Subaccount;

(G) Capitalized Interest Subaccount;

(H) Any other Account or Subaccount established by the applicable Supplemental Indenture.

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

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

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

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

(9) A Surplus Account, to be held by the Authority.

Construction Account. A Construction Account shall be established, which will contain the amounts required by the provisions of the Indenture and each Supplemental Indenture. There also may be paid 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 Indenture or any Supplemental Indenture. Segregated Subaccounts may be created within the Construction Account with money held in such Subaccounts separately from other moneys in the Construction Account. Money in the Construction Subaccounts shall be disposed of only in the manner provided in the Supplemental Indentures authorizing such Subaccounts. These separate, segregated Subaccounts and all funds, investments thereof and investment income earned thereon may be pledged (and a lien and security interest therein may be granted) to secure for any period of time the payment of principal of and/or the purchase price of any or all of any Series of Bonds issued pursuant to such Supplemental Indenture. Such pledge, lien and security interest may be prior and superior to the lien and pledge on the Construction Account granted by the Indenture securing the Bonds generally. Moneys in the Construction Account can pay for: (i) the Costs of the Approved Projects, (ii) with respect to special Subaccounts created within the Construction Account by a Supplemental Indenture, all authorized uses stated in such Supplemental Indenture, and (iii) to the extent of shortfalls in a Debt Service Account, the payment of interest on or principal or Redemption Price of the Bonds when due.

Pledged Revenue Account. There is created a Pledged Revenue Account, held by the Trustee into which the Trustee shall deposit as received from the Special Escrow Agent pursuant to the Escrow Agreement all Matching Fund Revenues received under the Loan Notes and additional amounts designated for deposit into the Pledge Revenue Account by the Indenture or under a Supplemental Indenture. Moneys in the Pledged Revenue Account in the following order of priority shall be transferred annually until there are no Bonds Outstanding under the Indenture.

(i) (1) to each Senior Lien Interest Subaccount;

(A) for Senior Lien Bonds which are Fixed Interest Rate Bonds, an amount that, when combined with amounts on deposit in such Subaccount, equals one hundred percent (100%) of that portion of the Adjusted Debt Service Requirements and constitutes all of the interest accruing or to accrue during the current Bond Year; and

(B) for any Senior Lien Bonds which are not Fixed Interest Rate Bonds, an amount that, when combined with amounts on deposit in such Subaccount, equals one hundred percent (100%) of that portion of the Adjusted Debt Service Requirements and constitutes all of the interest accruing or to accrue for Interest Payment Periods that commence in the current Bond Year;

(2) Subject to any credit in the Senior 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 Senior Lien Bonds as contemplated in any applicable Supplemental Indenture and, in connection with paragraph (1) above,

(A) any net payments the Authority is required to make for Qualified Swap Agreements shall have the same claim upon Pledged Revenues as interest on the Series of Senior Lien Bonds to which the Qualified Swap Agreement relates; and

(B) as of each Interest Payment Date for Senior Lien Bonds 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 is a credit to reduce the amount required to be deposited in the next succeeding month or months; and then

(ii) to each Senior Lien Principal Subaccount, an amount that, combined with subaccount deposits, equals one hundred percent (100%) of the principal due on the next succeeding Principal Payment Date on the 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 owed to a Credit Provider under the applicable Supplemental Indenture and Credit Agreement due to a drawing from the related Credit Facility for the principal of or interest or premium on any Senior Lien Bonds if the amount transferred is not 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 Bond or Bonds paid out of the proceeds of such Credit Facility and provided that such transfer amounts shall be reduced by the amount transferred or required to be transferred under the Indenture or Supplemental Indenture; and then

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

(v) to the Senior Lien Debt Service Reserve Account and ratably to each Subaccount therein (if applicable), the amount required to restore any deficiency in the Senior Lien Debt Service Reserve Account and any Subaccount therein or to pay any amounts owed to a Credit Provider relating to a Senior Lien Debt Service Reserve Account Credit Facility; and then

(vi) to each Senior Lien Expense Subaccount, any amounts then due and owing to the Trustee, any Paying Agent, Remarketing Agent, Bond Registrar, or Credit Provider, Special Escrow Agent or other Fiduciary for Senior Lien Bond Services Charges and Bond Related Costs that relate to administration and remarketing and the Authority's Annual Administrative Fee if not provided for in (i), (ii), (iii) or (iv) above; and then

(vii) to each Rebate Account, the amount for Senior Lien Bonds required by and applied in accord with the Indenture; and then

(viii) (1) to each Subordinate Lien Interest Subaccount,

(A) for Subordinate Lien Bonds which are Fixed Interest Rate Bonds, an amount that, when combined with amounts on deposit in such Subaccount, equal one hundred percent (100%) of the Adjusted Debt Service Requirements and constitutes all of the interest accruing or to accrue for all Interest Payment Periods during the current Bond Year; and

(B) for Subordinate Lien Bonds which are not Fixed Interest Rate Bonds, an amount that, when combined with amounts on deposit in such Subaccount, equals one hundred percent (100%) of that portion of the Adjusted Debt Service Requirements and constitutes all of the interest accruing or to accrue for Interest Payment Periods that commence in the current Bond Year, subject to the credits provided for in clause (2) below;

(2) Subject to any credit in the Subordinate 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 Subordinate Lien Bonds as contemplated in any applicable Supplemental Indenture and, in connection with paragraph (1) above

(A) any net payment the Authority is required to make for Qualified Swap Agreements shall have, the same claim upon Revenues as interest on the Series of Subordinate Lien Bonds to which the Qualified Swap Agreement relates; and

(B) as of each Interest Payment Date for Subordinate Lien Bonds which are described in paragraph (ix)(1)(B) above, to the extent that the actual interest payable with respect to such Subordinate Lien Bonds in any Interest Payment Period is less than the amount deposited into the Subordinate Lien Interest Subaccount, then the excess amount is a credit to reduce the amount otherwise required to be deposited; and then

(ix) to each Subordinate Lien Principal Subaccount, an amount that, combined with Subaccount deposits, equal one hundred percent (100%) of the principal due on the next succeeding Principal Payment Date on the Series of Subordinate Lien Bonds payable from such Subordinate Lien Principal Subaccount; and then

(x) to each Subordinate Lien Credit Subaccount, an amount sufficient to pay any principal or interest then owing to a Credit Provider under the applicable Supplemental Indenture and Credit Agreement due to drawing from the related Credit Facility for the principal of or interest or premium on any Subordinate Lien Bonds if the amount transferred is not 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 Subordinate 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 Subordinate Lien Bond or Bonds paid out of the proceeds of such Credit Facility and provided that such transfers shall be reduced by the amounts required to be transferred under the Indenture or Supplemental Indenture; and then

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

(xii) to the Subordinate Lien Debt Service Reserve Account and ratably to each Subaccount therein (if applicable), the amount required to restore any deficiency in the Subordinate Lien Debt Service Reserve Account and any Subaccount therein or to pay any amounts then owed to a Credit Provider relating to a Subordinate Lien Debt Service Reserve Account Credit Facility; and then

(xiii) to each Subordinate Lien Expense Subaccount, any amounts then owed to the Trustee, any Paying Agent, Remarketing Agent, Bond Registrar, Credit Provider, Special Escrow Agent or other Fiduciary for Subordinate Lien Bond Service Charges and Bond Related Costs that relate to administration and remarketing and the Authority's Annual Administrative Fee if not provided for in (ix), (x), (xi), (xii) above and (xiii); and then

(xiv) to each Rebate Account for Subordinate Lien Bonds, the amount and the application required by the Indenture; and then

(xv) except as may be provided in one of more Supplemental Indentures to the contrary, to the Surplus Account.

Solely for the purpose of administering these payments, any interest payable on Capital Appreciation Bonds or, prior to the Interest Commencement Date, on Deferred Interest Bonds, shall be deemed to be "due" in the Bond Year when payment is scheduled to be made and to be "principal" for (a)(ii) and (x) above rather than "interest" under paragraphs (i) and (ix) above.

Costs of Issuance Account. The Trustee may establish within the Cost of Issuance Account a separate, segregated account for the benefit of one or more Series of Bonds as provided in the applicable Supplemental Indenture. There shall be deposited in the Cost of Issuance Account, from the proceeds of each Series of Bonds, the amount specified pursuant to the Supplemental Indenture creating such account. Costs of Issuance Fund moneys shall be used only to pay Costs of Issuance of a Series of Bonds. The Trustee shall disburse from the Cost of Issuance Account all amounts required to pay the Costs of Issuance then due and payable. Any moneys remaining in the Costs of Issuance Fund with respect to any Series of Bonds shall be transferred by the Trustee to the related subaccount in the Construction Account. The Authority may, however, certify and direct the Trustee by the one hundred eightieth (180th) day to retain moneys in the Cost of Issuance Account or direct transfer to a person or Account other than the Construction Account or related Account if the moneys are not derived from the proceeds of the applicable Series of Bonds.

Debt Service Accounts and Subaccounts. The Indenture establishes a Senior Lien Debt Service Account and a Subordinate Lien Debt Service Account (collectively, the "Debt Service Accounts") and various subaccounts within the Debt Service Accounts. Upon issuance of any Series of Bonds, the Trustee shall deposit to the applicable Interest Subaccount amounts from the proceeds of each Series of Bonds equal to accrued interest received from the sale of such Bonds. Amounts on deposit in the Interest Subaccount shall be used to pay interest for the respective Series of Bonds on each Interest Payment Date. If on any Interest Payment Date amounts on deposit in the applicable Interest Subaccount are insufficient to pay the amount of interest coming due on the applicable Series of Bonds, the Trustee shall transfer to the Interest Subaccount amounts from, respectively, the Pledged Revenue Account, the Redemption Subaccounts, the Construction Accounts, the respective Series Debt Service Reserve Account or the Principal Subaccount.

The Trustee shall transfer on the first day of each Bond Year amounts from the Pledged Revenue Account to each Principal Subaccount and use such amounts on each Principal Payment Date to pay principal due on each respective Series of Bonds. If on such Principal Payment Date amounts on deposit in each respective Principal Subaccount are insufficient to pay principal coming due on the applicable Series of Bonds on the Principal Payment Date, the Trustee shall transfer to the Principal Subaccount amounts from, respectively, the Pledged Revenue Account, the Redemption Subaccounts, the Construction Account, the respective Series Debt Service Reserve Account or the Interest Subaccount.

Amounts to be used by the Authority to prepay any Series of Bonds shall be deposited into the respective Series Redemption Subaccount and applied to purchase Bonds to be surrendered to the Trustee as a credit against Debt Service Requirements when due or to pay principal of and premium, if any, of a Series of Bonds subject to and called for redemption. Any funds transferred to a Redemption Subaccount from the Construction Account as excess proceeds shall be applied only to redeem Bonds of the Series from which such Construction Account proceeds were derived.

The Trustee shall transfer moneys from the Pledged Revenue Account to the respective Expense Subaccounts for each Series of Bonds and use such amounts to pay at the direction of the Authority to any payee amounts specified, including the Authority's Annual Administrative Fee.

Amounts in the respective Purchase Subaccounts, if any, shall be used as directed in the applicable Supplemental Indenture to purchase the related Series of Bonds.

If required by an applicable Supplemental Indenture, the Trustee shall create a Credit Subaccount for a Series of Bonds that are secured by a Credit Facility. Amounts drawn under such Credit Facility to pay principal or interest shall be deposited into the related Principal Subaccount or Interest Subaccount or Purchase Subaccount and applied to the purpose for which they were drawn.

Amounts on deposit in each respective Capitalized Interest Subaccount shall be transferred on each Interest Payment Date and shall be credited against the transfer then due from the Pledged Revenue Account.

Deficiencies in the Interest Subaccounts or Principal Subaccounts. In the event, the amount on deposit at a payment date in the Interest Subaccount or the Principal Subaccount is not sufficient to pay the full interest on or principal of all Outstanding Bonds of any Series then due, the Authority shall immediately cure such insufficiency with a draw from the Surplus Subaccount. If amounts available in the Surplus are insufficient, the Trustee shall transfer to the respective Interest Subaccount or Principal Subaccount an amount equal to the deficiency in following order:

(i) the Pledged Revenue Account;

(ii) the Senior Lien Redemption Subaccount or any Subordinate Lien Redemption Subaccount (other than amounts held therein to pay and redeem Bonds for which notice of redemption has theretofore been given, and amounts held therein to defease Outstanding Bonds);

(iii) the Construction Account (to the extent held by the Trustee and such application is permitted by the Supplemental Indenture governing same and the Authority certifies that such amounts are not required for payment of costs of an Approved 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 Bonds;

(v) the Senior Lien Principal Subaccount (for deficiencies in the Interest Subaccount); and

(vi) the Senior Lien Interest Subaccount (for deficiencies in the Principal Subaccount).

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

Debt Service Reserve Accounts. The Trustee shall initially deposit to the credit of the Series Subaccount of the Debt Service Reserve Account from the proceeds of each Series of Bonds in an amount equal to the Debt Service Reserve Requirement (if any) for that Series. Thereafter each Series Subaccount of the Debt Service Reserve Account shall be maintained at the Debt Service Reserve Requirement for the related Series by transfers to the Debt Service Reserve Account from the Pledged Revenue Account. If, however, the deposit in a Series Subaccount of the Debt Service Reserve Account is less than the Debt Service Reserve Requirement for the related Series, the Authority shall be required to restore the deficiency. The Authority shall transfer any amounts on deposit in the Surplus Account and, to the extent the full deficiency cannot be so cured, such amounts shall be applied ratably to each Series Subaccount within the Debt Service Reserve Account which has a deficiency. To the extent any deficiency remains, transfers shall be made pursuant to the process in "**Deficiencies in the Interest Subaccount or Principal Subaccount**" above. Deficiencies caused by a valuation of the investment securities shall be cured no later than the first day of the Bond Year following the determination that such vacancy exists.

If on any Interest Payment Date or Principal Payment Date there are not sufficient amounts in any Interest Subaccount or Principal Subaccount to pay interest or principal coming due after the transfers required under the Indenture, the Trustee shall transfer from the Debt Service Reserve Account to the Interest Subaccount or Principal Subaccount, as the case may be, amounts sufficient to make up any deficiency. The Trustee may not draw on any Debt Service Reserve Credit Facility until all cash and any investment Securities in the related Debt Service Reserve Account have been liquidated.

If the Debt Service Reserve Requirement is to be satisfied pursuant to any Supplemental Indenture with a Credit Facility the Trustee shall create a Debt Service Reserve account to such Credit Facility and shall deposit into such account all amounts drawn under the related Credit Facility.

All income derived from investment of amounts on deposit in the Debt Service Reserve Fund shall be retained therein if the amounts on deposit in such Debt Service Reserve Fund is less than the Debt Service Reserve Requirement; otherwise such earnings shall be transferred to the respective Debt Service Accounts and Subaccounts if necessary to pay any deficiency and then at the written direction of the Authority to the Rebate Account or the Surplus Account.

Rebate Account. Moneys on deposit in the Rebate Account are not subject to the lien or pledge of the Indenture. If amounts in the Rebate Account are in excess of the Rebate Amount, such excess amounts shall be transferred to the Pledged Revenue Account. If amounts on deposit in the Rebate Account are insufficient to make payments required under the Indenture, the Authority shall transfer to the Trustee within five (5) Business Days, the amount of such deficiency.

Surplus Account. Moneys held in the Surplus Account may be used for transfers to the Debt Service Accounts and Debt Service Reserve Accounts to maintain required balances therein, for transfers to the Construction Account or Subaccount to pay costs of Approved Projects or for any other lawful purpose as directed by the Authority.

Pro Rata Payments. In the event the amount then on deposit in the Senior Lien Interest Subaccount or Principal Subaccount or in the Subordinate Lien Interest Subaccount or Principal Subaccount on an Interest Payment Date or Principal Payment Date is not sufficient to pay 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 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 and pay out all moneys on deposit in the Subordinate Lien Interest Subaccount and Subordinate Lien Principal Subaccount to the persons entitled thereto, pro rata according to the amount owed to each. These pro rata payments are subject to provisions as to Credit Facilities or other amounts which a Supplemental Indenture may pledge or otherwise provide.

Investments. If there are Bonds Outstanding and no Event of Default has occurred or is continuing, an Authorized Officer may invest moneys on deposit to the credit of the Construction Account, Pledged Revenue Account, any Debt Service Account, and any Debt Service Reserve Account.

Transfer. At the option of any Owner, Bonds may be exchanged for an equal aggregate principal amount of Bonds of other minimum denominations, or multiples thereof, of the same series and maturity upon surrender of such Bonds at the Principal Office of the Registrar duly executed by the Owner or his duly authorized attorney, and upon payment of the charges of the Registrar and the Authenticating Agent or the Trustee for exchange. Neither the Authority nor the Trustee shall be required to transfer or exchange (i) Bonds for a period beginning on the Record Date next preceding an interest payment date and ending on such interest payment date, or for a period of fifteen (15) days next preceding the date determined by the Trustee or any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption or (ii) Bonds called or tendered for redemption, in whole or in part.

Additional Bonds and Other Revenue Obligations. The Authority may issue one or more series of Additional Bonds in accordance with the conditions of the Indenture and the Loan Agreement and lend the proceeds thereof to the Government pursuant to a Loan Agreement to provide funds for the Cost of undertaking or completing a Project or the Cost of refunding all or a portion of the Outstanding Bonds of any one or more series or of any Long-Term Indebtedness other than Bonds. Except as permitted under the restriction on Additional Senior Lien Bonds and Additional Subordinate Lien Bonds, no obligations payable from the Revenues or secured by a lien on the Trust Estate (except as to any Credit Facility or Liquidity Facility which secures Bonds or a specific Series of Bonds) may be issued.

Events of Default. Each of the listed events shall constitute an "Event of Default," provided that no Event of Default with respect to any Subordinated Lien Bonds shall cause an Event of Default on any Senior Lien Bonds, as set out in the Indenture and as follows:

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

(b) payment of the principal or Redemption Price of any Series of Bonds or of a Sinking Fund Installment shall not be made when the same shall become due and payable; or

(c) the Authority shall fail to observe or perform in any material way any covenant, condition, agreement or provision contained in any Bonds or in the Indenture or any Supplemental Indenture on the part of the Authority to be performed other than those set forth in the 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 principal amount of any Outstanding 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

(d) an "Event of Default" as such term is defined in any Loan Agreement; or

(e) 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 Subordinate Lien Bonds cause an Event of Default or any Senior Lien Bonds.

Rights of Owners. Anything in the Indenture to the contrary notwithstanding, subject to the limitations and restrictions as to the rights of the Owners set forth in the Indenture, upon the happening and continuance of any Event of Default, the Owners of not less than twenty-five percent (25%) in principal amount of any Series of 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 Indenture. The Trustee may refuse to follow any direction that conflicts with law, the Indenture or any Supplemental Indenture or would subject the Trustee to personal liability without adequate indemnification therefor.

Restriction on Action by Owners. No Owner of any of the 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 Indenture, or any other remedy under the Indenture or on said Bonds, unless such Owner previously shall have given to the Trustee written notice of an Event of Default and unless the Owners of not less than twenty-five percent (25%) in principal amount of any Series of 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 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 hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for another remedy under the Indenture or Supplemental Indenture; it being understood and intended that no one or more Owners of any Series of Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect the security of the Indenture, or to enforce any right under the Indenture or under the Bonds and that all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of Outstanding Bonds, subject to the provisions of the Indenture and any Supplemental Indenture.

Waiver of Events of Default; Effect of Waiver. The Trustee may waive any Event of Default hereunder and its consequences and shall do so upon the written request of the Owners of at least a majority in principal amount of all Outstanding Bonds, provided, however, that there shall not be waived (i) any event of default pertaining to the payment of the principal of any 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 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 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 Bondholders shall be restored to their former positions and rights hereunder.

Priority of Payment. All Senior Lien Bonds issued under and secured by the 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 (i) in the 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 (ii) in a Supplemental Indenture, or (iii) 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 Bonds. All Subordinate Lien Bonds issued under and secured by the Indenture shall be equally and ratably secured by and payable from the Subordinate Lien Debt Service Account without priority of one Subordinate Lien Bond over any other except as otherwise expressly provided (i) in the Indenture with respect to Subordinate Lien Bonds of a specific Series (or specific Subordinate Lien Bonds within a series) secured by a Credit Facility or (ii) in a Supplemental Indenture or (iii) with respect to moneys or assets whether or not held in the Subordinate Lien Debt Service Account pledged to secure one or more Series of Subordinate Lien Bonds (or specific Subordinate Lien Bonds within a Series) and not other Bonds. Upon the occurrence of an Event of Default, all moneys collected pursuant to action taken pursuant to the Trustees' or Bondowners' remedies hereunder 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 or Accounts described in the Indenture as the Trustee deems appropriate; and all moneys in the Debt Service Accounts (and at the discretion of the Trustee except when otherwise required), excluding however (1) any moneys held in trust for the payment of any 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 Bonds (or specific 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 money in the Subordinate Lien Debt Service Account and Subordinate Lien Debt Service Reserve Account shall be applied solely to payment of Subordinate Lien Bonds.

Application of Moneys. Unless the principal of 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 installments of interest then due on the Senior Lien Bonds in the order of the maturity of the installments of such interest, and if available amounts are insufficient to pay in full any particular installment, then to the payment ratably, according to amounts due and without discrimination or privilege; and

SECOND: To the payment 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 otherwise become payable prior to such Event of Default and Moneys for the payment of which are held in trust, in the order of their due dates, and if the available amounts are insufficient to pay in full the unpaid principal and redemption premium, then to the payment ratably according to amounts due without 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 Indenture; and

FOURTH: To the payment of all installments of interest then due on the Subordinate Lien Bonds in the order of the maturity of the installments of such interest, and if the available amounts are insufficient to pay in full any particular installment, then to the payment ratably according to amounts due without discrimination or privilege; and

FIFTH: To the payment of unpaid principal of and redemption premium, if any on any of the Subordinate Lien Bonds due, which shall have become due other than Subordinate Lien Bonds, which may have matured or otherwise become payable prior to such Event of Default and moneys for the payment of which are held in trust, 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 Subordinate Lien Bonds due, then to the payment ratably according to amounts due and without discrimination or privilege; and

SIXTH: To the payment of interest and premium, if any, on and the principal of the Subordinate Lien Bonds and to the redemption of such Subordinate Lien Bonds, as thereafter may from time to time become due all in accordance with the provisions of the Indenture; and

SEVENTH: To reimburse the Trustee for costs and expenses described in the first unnumbered paragraph of this Section and not reimbursed thereunder.

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 Indenture and no implied duties or obligations shall be read into the 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 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.

The Trustee is not required to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties 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.

In accepting the trust created by the Indenture, the Trustee acts solely as Trustee for the Owners and not in its individual capacity.

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 Indenture or any Supplemental Indenture. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Indenture or Supplemental 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 Indenture or any Supplemental Indenture or the security provided hereunder or the due execution hereof 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 Bonds authenticated and delivered by the Trustee in accordance with this Indenture or to see to the recording or filing (but not refiling) of the Indenture, any Supplemental 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 Indenture unless and until an 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 Indenture or any Supplemental 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 Indenture or any Supplemental Indenture. The Trustee shall not be responsible for the application of any of the proceeds of the Bonds or any other moneys deposited with it and paid out, invested, withdrawn or transferred in accordance herewith 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 Indenture except for its own misconduct negligence or bad faith.

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 principal amount of the Outstanding 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 Indenture or any Supplemental Indenture.

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 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible 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 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 forty-five (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 petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, at the written request of the Authority or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such as may reasonably be required for more fully and certainly vesting and confirming to other things as such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon acceptance of appointment by a

successor Trustee as provided in this subsection, such successor Trustee shall mail a notice of the succession of such Trustee to the trusts hereunder by first class mail, postage prepaid, to each Paying Agent and to the Owners at their addresses listed in the Bond Register.

Any Trustee appointed 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.

Merger or Consolidation of Trustee. 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 Indenture, 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 herein 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 Fiduciaries. Facts in the Indenture, in any Supplemental Indenture and in the Bonds shall be taken as statements of the Authority, and neither the Trustee nor any Paying Agent assumes any responsibility for the correctness or makes any representations as to the validity or sufficiency of the Indenture, any Supplemental Indenture or of the Bonds other than in connection with the duties or obligations therein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. Neither the Trustee nor any Paying Agent shall be liable in connection with the performance of its duties under the Indenture, except for its own negligence or default. The Trustee or any Paying Agent may become the Owner of Bonds with the same rights they would have if they were not Trustee or Paying Agent, respectively, and, to the extent permitted by law, may act as depository for and permit any of their officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

No Recourse on the Bonds. No recourse shall be had for the payment of the principal of or interest on the Bonds or for any claim based thereon or on the Indenture against any member or officer of the Authority or any person executing the Bonds and no such member, officer or person shall be liable personally on the Bonds.

Right to Indemnification. The Trustee shall be under no obligation to institute any suit, or to take any remedial proceeding under the 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 hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all reasonable costs and expenses, outlays, and counsel fees and other disbursements, and against all liability not due to its willful misconduct, negligence or bad faith.

Supplemental Indenture Without Consent of Bondowners. For any one or more of the following purposes and at any time or from time to time, a Supplemental 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:

(a) To provide for the issuance of a Series of Bonds and to prescribe the terms and conditions pursuant to which the same may be issued, paid or redeemed; provided, however, that such Supplemental Indenture shall not conflict with the Indenture as theretofore in effect;

(b) To add to the covenants and agreements of the Authority in the Indenture, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(c) To add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(d) To confirm, as further assurances, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of any moneys, securities or fund, or to establish any additional funds or accounts to be held under the Indenture;

(e) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture;

(f) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect;

(g) To modify the Indenture or the 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 Bonds for sale under the securities laws of any state of the United States;

(h) 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 Bonds by a Rating Agency;

(i) 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;

(j) To subject to the lien and pledge of the Indenture additional revenue, properties or collateral;

(k) To evidence the appointment of a separate trustee or a co-trustee or the successor of a Trustee and/or Paying Agent hereunder;

(1) To modify, eliminate and/or add to the provisions of the Indenture to such extent as shall be necessary to prevent any interest on Tax-Exempt Bonds from becoming taxable under the Code; or

(m) To make any other change which in the judgment of Authority and Trustee is necessary or desirable and will not materially prejudice any non-consenting owner of a Bond.

Supplemental Indenture With Consent of Bondowners. Any modification or amendment of the Indenture and of the rights and obligations of the Authority and of the Owners of the Bonds thereunder, in any particular, may be made by a Supplemental Indenture, with the written consent (a) of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds Outstanding at the time such consent is given, and (b) in the case when less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, the Owners of at least fifty-one percent (51%) in principal amount of the 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 Bonds of any specified like Series and maturity remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding 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 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 these purposes, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series.

Defeasance. The pledge and other moneys and securities pledged under the Indenture and any Supplemental Indenture and all covenants, agreements and other obligations of the Authority to the Bondowners shall cease and be satisfied if the Authority shall pay or cause to be paid, or there shall otherwise be paid: (i) to the Owners of all 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 Bonds and in the Indenture and any Supplemental Indenture and (ii) to the Trustee all amounts due and owing the Trustee. Subject to the Indenture provisions, any Outstanding Bonds shall, prior to the maturity or redemption date thereof be deemed to have been paid if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority shall have given to the Trustee irrevocable instructions and notice of redemption, (ii) there shall have been set aside irrevocably in trust, in compliance with the Act, an amount which shall be sufficient to generate the principal of and the interest on which when due to 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 Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it instructions to mail a notice to the Owners of such 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 received by the Trustee and that said Bonds are deemed to have been paid 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 Bonds.

Notice. Any Notice, demand, direction, request or other, instrument authorized or required by the Indenture to be given to or filed with the Authority or the Trustee shall be deemed to have been sufficiently given or filed for all purposes of the Indenture if and when sent by registered mail, return receipt requested.

THE EIGHTH SUPPLEMENTAL INDENTURE

The following is a summary of certain provisions of the Eighth Supplemental Indenture. Such summary does not purport to be complete or definitive and reference is made to the Eighth Supplemental 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 and Details of the Series 2013A Bonds. The Eighth Supplemental Indenture authorizes the issuance of the Series 2013A Bonds. The Series 2013A Bonds are designated as Senior Lien Bonds.

Bonds Equally and Ratably Secured. Except as otherwise provided in the Indenture and the Eighth Supplemental Indenture, the Series 2013A Bonds shall in all respects be equally and ratably secured.

Details of the Series 2013A Bonds. The Bonds shall be dated the date of delivery and shall be issuable as fully registered bonds in the minimum denomination of one hundred thousand dollars ($100,000) and any multiple of $5,000 in excess thereof, and shall bear interest paid semiannually on each April 1 and October 1 in the years and amounts specified in the Eighth Supplemental Indenture.

Depository Provisions. Initially, one certificate for each maturity of the Series 2013A Bonds will be issued and registered to the Securities Depository, or its nominee, in a book-entry system.

Redemption. The Series 2013A Bonds shall be redeemed in the manner set forth in Article IV of the Indenture and Article III of the Eighth Supplemental Indenture. The Series 2013A Bonds shall be redeemed pro rata following the procedures of DTC as a pro-rata pass-through distribution of principal, or if DTC procedures do not allow for pro-rata pass-through distribution of principal, the Series 2013A Bonds to be redeemed shall be selected on a pro-rata basis; provided that, so long as such Series 2013A Bonds are registered in the book-entry-only system, the selection for redemption of such Series 2013A Bonds will be made in accordance with the operational arrangements of DTC then in effect.

Redemption allocations of Series 2013A Bonds shall be made by DTC on a pro-rata pass-through distribution of principal basis as described above. If the DTC operational arrangements do not allow for the redemption of Series 2013A Bonds on a pro-rata pass-through distribution of principal basis, then the Series 2013A Bonds to be redeemed will be selected for redemption on a pro-rata basis.

In connection with any repayment of principal of the Series 2013A Bonds, including payments of scheduled mandatory sinking fund redemptions, the Bond Registrar will direct DTC to make a pass-through distribution of principal to the holders of the Series 2013A Bonds.

For purposes of calculation of the "pro-rata pass-through distribution of principal," "pro-rata" means, for any amount of principal to be paid, the application of a fraction to such amounts where the numerator is equal to the amount due to the respective registered owners on a payment date, and the denominator is equal to the total original par amount of the Series 2013A Bonds of the maturity to be redeemed.

If less than all of the Series 2013A Bonds of a given maturity are called for redemption prior to maturity, the Trustee shall select on a pro-rata basis among the holders of the outstanding Series 2013A Bonds of such maturity by application of a fraction where the numerator is the principal amount of the Series 2013A Bonds of such maturity and the denominator is the principal amount of all the Series 2013A

Bonds of such maturity then outstanding; provided, however, that if for a holder of Series 2013A Bonds of such maturity the pro-rata redemption will not result in a minimum denomination of $100,000 or an integral multiple of $5,000 in excess thereof (the "Uneven Amount"), then the amount to be redeemed allocable to such Uneven Amount will be as determined by the Authority by direction to the Bond Register in any commercially reasonable manner, which may include allocating such additional redemptions by rounding to the nearest denomination of $100,000 or an integral multiple of $5,000 in excess thereof, or by lot, or both.

Whenever a Series 2013A Bond is redeemed prior to maturity or purchased and cancelled by the Authority, the Trustee shall cancel the principal amount of such Series 2013A Bond redeemed and shall credit pro-rata against the unsatisfied balance of future sinking fund installments and final maturity amount established with respect to such Series 2013A Bond.

Application of Proceeds of Series 2013A Bonds; Application of Related Amounts. The Eighth Supplemental Indenture provides for the deposit and application of the Series 2013A Bonds.

Funds and Accounts. The Eighth Supplemental Indenture establishes within the Senior Lien Interest Subaccount of the Senior Lien Debt Service Account, the Series 2013A Interest Subaccount, within the Senior Lien Principal Subaccount of the Senior Lien Debt Service Account, the Series 2013A Senior Lien Principal Subaccount, within the Senior Lien Redemption Subaccount of the Senior Lien Debt Service Account, the Series 2013A Senior Lien Redemption Subaccount. There is established within the Senior Lien Debt Service Reserve Account, a Series 2013A Senior Lien Debt Service Reserve Subaccount. There is established within the Cost of Issuance Account, a Series 2013A Senior Lien Cost of Issuance Subaccount. There is established within the Senior Lien Expense Account, a Series 2013A Senior Lien Expense Subaccount. Moneys in such subaccounts shall be used in accordance with the Indenture.

Security for Series 2013A Bonds. The Series 2013A Bonds shall be equally and ratably secured under the Indenture with any other Senior Lien Bonds issued pursuant to the Indenture.

Rebate Account. The Eighth Supplemental Indenture establishes the Series 2013A Rebate Accounts to be held by the Authority to receive from legally available moneys for payment of the rebate obligations under the Code (the "Rebate Amount").

THE AMENDED AND RESTATED SPECIAL ESCROW AGREEMENT

The following is a summary of certain provisions of the Amended and Restated Special Escrow Agreement. Such summary does not purport to be complete or definitive and reference is made to the Amended and Restated 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. The Matching Fund Revenues received by the Government from the United States pursuant to the Revised Organic Act of the Virgin Islands shall be delivered to the Special Escrow Fund. The Special Escrow Fund is to be held by the Special Escrow Agent to provide for the following deposits (in order of priority);

(i) the deposit with the Trustee, or any paying agent, at the direction of the Government of the amount set forth in a certificate of the Government delivered to the Special Escrow Agent on or before the Second Business Day prior to October 1 of each Fiscal Year, of amounts required, if any, for payment of principal of redemption premium, if any, and interest on, Senior Lien Bonds and other amounts required to fund fully the Senior Lien Debt Service Account in such Fiscal Year or any prior Fiscal Year and other amounts required to fund fully the Senior Lien Debt Service Account in such Fiscal Year or any prior Fiscal Year to the Debt Service Requirement Level;

(ii) the deposit with the Trustee, or any paying agent, at the direction of the Government or any designated trustees or paying agents of the amount set forth in a certificate of the Government delivered to the Special Escrow Agent on or before the Second Business Day prior to October 1 of each Fiscal Year, of amounts required, if any, for payment of principal of, redemption premium, if any, and interest on, Subordinate Lien Bonds and other amounts required to fund fully the Subordinate Lien Debt Service Account 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 or any Subordinate Lien Debt Service Reserve Account to the Debt Service Requirement Level;

(iii) the deposit with (a) the Diageo Special Escrow Agent in accordance with the Diageo Special Escrow Agreement any amounts certified by the Diageo Calculation Agent as Diageo Incremental Cover Over Revenues, and (b) the Cruzan Special Escrow Agent in accordance with the Cruzan Special Escrow Agreement any amounts certified by the Cruzan Calculation Agent as Cruzan Incremental Cover Over Revenues, that are, in each case, in excess of the deposits, if any, required by clauses (i) and (ii) above; and

(iv) the deposit with the Government, in accordance with the Amended and Restated Special Escrow Agreement, of any amounts in excess of the deposits, if any, required above, which amounts may be applied by the Government for any lawful purpose.

Irrevocability of the Special Escrow Fund; Parity. The assignment of the Matching Fund Revenues and the escrow created in the Amended and Restated Special Escrow Agreement shall be irrevocable as long as any Bonds are Outstanding under the terms of the 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 Special Escrow Fund over the Subordinate Lien Bonds, which shall be on parity with each other, but the payment of which shall be junior and subordinate to the payment of the Senior Lien Bonds until such funds are used and applied in accordance with the Amended and Restated Special Escrow Agreement.

Termination. The Amended and Restated Special Escrow Agreement shall terminate when no Bonds are Outstanding under the terms of the Indenture. Any moneys remaining in the 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 2013A LOAN AGREEMENT

The following is a summary of certain provisions of the Series 2013A Loan Agreement. Such summary does not purport to be complete or definitive, and reference is made to the Series 2013A Loan Agreement for a full and complete statement of its 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 2013A Loan Agreement, shall lend the proceeds of the Series 2013A Bonds to the Government and, in order to evidence such debt obligation, the Government shall issue to the Authority the Series 2013A Loan Note.

Repayment of the Loan. The Government promises to repay the Loan and observe the terms and provisions of the Series 2013A Loan Agreement. In consideration of the issuance of the Series 2013A Bonds by the Authority, the Government agrees to execute the Series 2013A Loan Note. The Government shall repay the Series 2013A Loan Note in annual installments upon receipt of the Matching Funds Revenues but not later than the Second Business Day next preceding October 1 in each year in the amounts equal to the amounts due for principal of Redemption Price, and interest on the Series 2013A Bonds that the Series 2013A Loan Note secures.

Redemption of the Series 2013A Loan Note. The Series 2013A Loan Note is not subject to optional redemption prior to maturity.

Application of Proceeds. The Authority shall deposit all funds received from the proceeds of the Series 2013A Bonds into the respective Accounts and Subaccounts in accordance with the Series 2013A Loan Agreement.

Security. The revenues pledged to pay the debt service on the Series 2013A Bonds are derived from the Series 2013A Loan Note. The Series 2013A Loan Note is a special limited obligation of the Government and is secured solely by a pledge of the Matching Fund Revenues. The Series 2013A Loan Note is not a debt of the United States of America and the United States of America is not liable on the Series 2013A Loan Note. The Series 2013A 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 United States of America or the United States Virgin Islands be liable thereon. The Authority has no taxing power. The Government pledges and assigns its interest in the Matching Fund Revenues and the Amended and Restated Special Escrow Agreement to the Trustee as security for the payment of the Series 2013A Loan Note and consents therein to the deposit of the Matching Fund Revenues into the Special Escrow Fund.

The Series 2013A Loan Note shall be considered to be issued on a parity basis with other Senior Lien Loan Notes and shall have priority over the other Subordinate Lien Loan Notes regarding the payment of principal and interest out of the Matching Fund Revenues.

Representations and Warranties of the Government. The Government makes the following representations and warranties to the Authority:

(a) As of the date hereof, the amount of Matching Fund Revenues anticipated to be received by the Government is a sum which, during the period the Series 2013A Loan Note is

Outstanding, is in excess of the amount necessary to pay the principal of and interest on the Series 2013A Loan Note issued in connection with the Series 2013A Bonds.

(b) The Government is duly authorized and has full power and authority to execute, deliver and perform its obligations under the Series 2013A Loan Agreement, the Amended and Restated Special Escrow Agreement and the Series 2013A Loan Note.

(c) The execution, delivery and performance by the Government of the Series 2013A Loan Agreement, the Amended and Restated Special Escrow Agreement and the Series 2013A 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 upon or with respect to any property of the Government.

(d) No authorization, consent, approval, permit, license, exemption of or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality is or will be necessary for the valid execution, delivery or performance by, or enforcement against or by, the Government of the Series 2013A Loan Agreement or the Series 2013A Loan Note.

(e) The Series 2013A Loan Agreement, the Amended and Restated Special Escrow Agreement and the Series 2013A Loan Note when executed and delivered by the Government will, assuming the due execution of and delivery by the other parties thereto, constitute, the legal, valid and binding obligations of the Government enforceable against the Government in accordance with their terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws hereinafter 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.

(f) The Government is duly authorized under all applicable laws to pledge and assign the Amended and Restated Special Escrow Agreement and Matching Fund Revenues for the payment of principal and interest on the Series 2013A Loan Note. The Amended and Restated Special Escrow Agreement and Matching Fund Revenues pledged and assigned hereby to the payment of principal and interest on the Series 2013A Loan Note, will be free and clear of any pledge, lien, charge or encumbrance thereon with respect thereto, the Initial Series of Bonds and Additional Bonds prior to or of equal rank with, the pledge created by the Series 2013A Loan Agreement, and all action on the part of the Government to that end has been and will be duly and validly taken.

(g) 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, which involve or would materially adversely affect any of the transactions contemplated or by the Series 2013A Loan Note, or which, if determined adversely, could have a material adverse effect on the financial condition, properties or operations of the Government, or adversely affect the authority of the Government to perform its obligations under the Series 2013A Loan Agreement or under the Series 2013A Loan Note.

(h) 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 materially and adversely affect the financial condition or operations of the Government as a whole.

(i) At the time of issuance of the Series 2013A Loan Note, other than the Outstanding Senior Lien Bonds, the Outstanding Subordinate Lien Bonds, the Diageo Subordinate Lien Bonds and the Cruzan Subordinate Lien Bonds, there are no other bonds, notes, or other evidences of indebtedness of the Government Outstanding that are secured by the Matching Fund Revenues.

(j) The Government has satisfied its obligations with respect to the Diageo Project Implementation Agreement and the Cruzan Project Implementation Agreement applicable to the issuance of a Series of Additional Bonds under the Indenture.

Covenants of the Government. The Government covenants and agrees that, among other actions, the Government shall:

(a) Observe and comply with the terms and conditions of and perform all of its obligations under the Series 2013A Loan Agreement, the Series 2013A Loan Note and Amended and Restated Special Escrow Agreement, and will pay all amounts payable by it according to the terms of the Series 2013A Loan Agreement.

(b) Promptly notify the Authority and the Trustee in writing of the occurrence of (i) any Event of Default under the Series 2013A Loan Agreement and (ii) any default under documents governing any debt of the Government.

(c) Request that the United States deliver and take all steps necessary to ensure the receipt of the maximization of Matching Fund Revenues for which the Government is eligible, and deposit such funds in the Special Escrow Fund.

(d) Defend, preserve and protect the pledge of the Matching Fund Revenues and if applicable, the Substitute Revenues, under the Series 2013A Loan Agreement and the security interest under the Amended and Restated Special Escrow Agreement and all rights of the holders of the Series 2013A Loan Note against all claims and demands of all third parties.

(e) Consent to the assignment pursuant to the Indenture, of all right, title and interest of the Authority in the Series 2013A Loan Agreement, and all amendments, modifications and renewals thereof, to the Trustee, reserving to the Authority, however, the rights providing that notices and other communications be given to the Authority.

(f) Provide to the Authority within 180 calendar days of the end of each Fiscal Year a financial report summarizing annual receipts of Matching Fund Revenues, and if applicable, the Substitute Revenues.

(g) No later than 180 days after the close of the fiscal year, the Commissioner of Finance of the Government of the Virgin Islands shall deliver to the Trustee a certificate of the Matching Fund Revenues available, after satisfaction of any prior lien debt service, and relevant debt service coverage calculations for such Fiscal Year.

(h) Observe and comply with the terms and conditions of, and to perform each of its obligations under, the Diageo Agreement, the Diageo Project Implementation Agreement, the Cruzan Agreement and the Cruzan Project Implementation Agreement.

(i) Not revoke in any way or terminate the Amended and Restated Special Escrow Agreement.

(j) Not allow the Matching Fund Revenues to be encumbered by any lien, charge or encumbrance other than pursuant to any Additional Senior Lien Bonds.

(k) Not 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 payable on the Series 2013A 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 2013A Bonds or take or omit to take any action that would cause the Series 2013A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the Government will comply with all requirements of Section 148 of the Code to the extent applicable to the Series 2013A Bonds or private activity bonds within the meaning of Section 141 of the Code. 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 2013A Bonds from time to time.

(l) Not take any action, or fail to take any action 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.

(m) In the event the federal government discontinues the payment of Matching Fund Revenues and substitutes another stream of revenues thereof, use its best efforts to pledge the substitute revenues to repayment of the Series 2013A Loan Note.

Affirmative Covenants of Authority. The Authority shall use its best efforts to cause the Government to comply with the covenants set forth in the Loan Agreement.

Events of Default. The occurrence of any of the following events shall be an "Event of Default" under the Loan Agreement:

(a) The Government shall fail to pay when due any amount payable on the Series 2013A Loan Note; or

(b) The Government shall fail to perform or observe any term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for 30 days after written notice thereof shall have been given to the Government by the Authority or the Trustee, 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 Government within the applicable period and diligently pursued until the default is corrected; or

(c) An "Event of Default" under the Indenture.

Rights on Default. If an Event of Default shall happen and shall not have been remedied, then, and in every such case, the holders of the Series 2013A Loan Note may (i) sue to collect sums due under such Series 2013A 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 2013A Loan Agreement or the Series 2013A Loan Note, and (iii) examine the books and records of the Government to account for all moneys and securities constituting the 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 2013A Loan Note shall have been paid in full or otherwise provided for, the Agreement is a continuing obligation of the Government and shall (i) be binding upon the Government, its successors and assigns and (ii) 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. The Governor, on behalf of the Government, and with the consent of the Authority and the Trustee, may execute a supplement to the Series 2013A Loan Agreement curing any ambiguity or curing, correcting or supplementing any defect or inconsistent provision contained in the Series 2013A Loan Agreement or making such provisions in regard to matters or questions arising in the Series 2013A Loan Agreement as may be necessary, or desirable and as shall not materially adversely affect the interests of the holders of the Series 2013A Loan Note. Such supplement shall become effective upon the filing with the Government an instrument of the holder of the Series 2013A Loan Note approving such supplement. In addition, the Governor may execute a supplement to the Series 2013A Loan Agreement at any time and from time to time modifying any provision of the Series 2013A Loan Agreement with the consent of the holders of the Series 2013A Loan Note, except as provided in the Indenture.

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APPENDIX D

IHS GLOBAL, INC. REPORT – VERIFICATION AND PROJECTION OF VIRGIN ISLANDS 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 U.S.

Submitted to:

Virgin Islands Public Finance Authority

Prepared by:

IHS Global, Inc.

August 28, 2013

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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 fiscal year ("FY") 1992 through FY 2012. This review indicated that the annual Matching Fund Revenues transferred to the United States Virgin Islands Government ("VI Government") 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 2012 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 Cruzan rum plant operated by Beam, Inc, ("Beam") pursuant to the terms of the Cruzan Agreement, dated October 2009, as amended, and second, we add the revenues projected from shipments by Diageo USVI, Inc. ("Diageo") pursuant to the terms of the Diageo Agreement dated June, 2009, between VI and Diageo, of rum to be used in the production of Captain Morgan branded products, which commenced exports to the U.S. mainland in February 2012.

The forecasts presented here differ substantially from previous forecasts of IHS Global Insight. In those forecasts, first presented in June 2009, the calculation of the Federal excise tax due on shipments from the new Diageo plant was incorrect, significantly overstating the resulting Matching Fund Revenues that would be generated when the plant began shipping Captain Morgan rum in 2012. The error was the result of a conversion from our projection of the volume of liters of rum shipped to the U.S. to the number of gallons subject to the Federal excise tax rate of $13.50 per 'proof gallon'. A proof gallon is a gallon of liquid spirits that is 50% alcohol (100 proof). One gallon of an 80 proof spirit would equal 0.8 proof gallons for tax purposes. Our earlier reports converted our forecast of U.S. rum consumption to proof gallons using the rum industry average alcohol content. But we have now found that Captain Morgan products produced in the USVI have lower than average proof and hence fewer taxable proof gallons per liter of rum sold. This report corrects that proof gallon calculation.

We present three alternative scenarios – a baseline forecast, one low and one high scenario - of future rum shipments and Matching Fund Revenues. Underlying the three scenarios is our U.S. rum consumption model, which projects that growth in U.S. rum consumption will average 2.2% annually during the 29 years to fiscal 2041, reaching 51.1 million 9-liter cases by the end of the period. Over the near-term, U.S. rum consumption is moderated by the current U.S. business cycle.

The first scenario, our Constant Market Share Scenario, projects Matching Fund Revenues as a function of U.S. rum consumption. This scenario, 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. Rum shipments from the Beam plant will average 2.3% annual growth until the plant reaches capacity in FY 2021, from then on the plant will generate Matching Fund

Revenues of $139.1 million annually. Under the similar constant share scenario, it is assumed that Captain Morgan maintains its current share of the U.S. rum market, growing at an average annual rate of 2.2% until 2041. Under this scenario, annual Matching Fund Revenues reach $364.5 million in FY 2041, assuming that the U.S. Government continues to extend the $13.25 per proof gallon "cover-over" rate (i.e. the portion of excise tax revenues actually transferred to the VI Government).

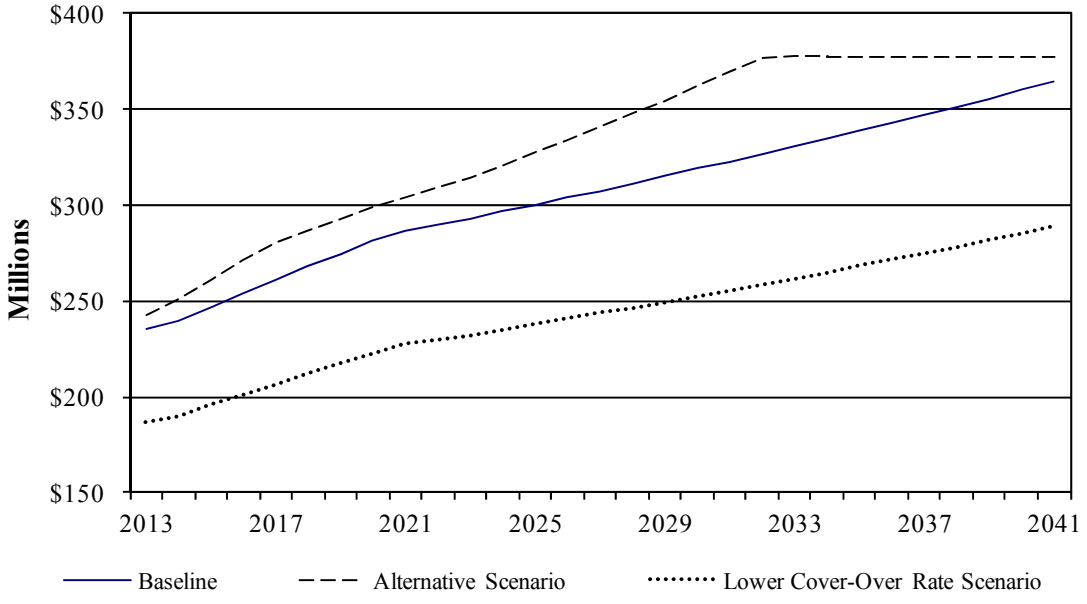
The second scenario, our Growing Market Share Scenario, projects that Beam and Captain Morgan will increase their share of the U.S. rum market. This scenario projects higher growth in Matching Fund Revenues than the Constant Market Share scenario. Matching Fund Revenues reach an annual total of $377.6 million by FY 2033, and will remain constant in subsequent years, with both plants having reached capacity. This results from an average rate of growth of Beam shipments of Cruzan, Ronrico, and other rum of 3.1% per year until the plant reaches capacity in FY 2017, and of Diageo shipments of Captain Morgan of 3.5% per year until that plant reaches capacity in FY 2033. As with the first scenario, this projection assumes that the U.S. Government continues to extend the $13.25 per proof gallon cover-over rate.

Finally, in our third scenario, we calculate Matching Fund Revenues based on the shipment projections under our Baseline scenario, and assume that the cover-over rate reverts to a rate of $10.50 per proof gallons. Under this scenario, annual Matching Fund Revenues reach $288.9 million in FY 2041.

Graph 1 illustrates the Matching Fund Revenues projected by these three scenarios.

Graph 1

Projected Matching Fund Revenues, FY2013-FY2041



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 consumed in the United States. This rum is produced by two producers, Cruzan, owned by Beam, and Diageo USVI. Federal excise taxes levied on VI rum are paid by U.S. distributors when they bottle VI rum shipped in bulk to the U.S., and are collected by the Alcohol and Tobacco Tax and Trade Bureau ("TTB") of the US Department of the Treasury ("Treasury").[1] TTB also collects excise tax on cased rum (rum produced and bottled in the VI and exported to the U.S.). TTB collects these taxes at the rate of $13.50 per proof gallon. A portion of these revenues, known as the "cover-over" Matching Fund Revenues, are then transferred to the VI Government.[2] In 1984 Congress imposed a cap of $10.50 per proof gallon on the cover-over rate applied to VI rum shipped to the U.S. Then in 1999, Congress increased the cover-over rate on a temporary basis to $13.25 per proof gallon and has regularly extended the temporary rate since that time. In the absence of Congressional extensions, however, the cover-over rate returns to $10.50 per proof gallon, as it did on January 1, 2012. In 2012 the cover-over rate remained at $10.50 until December 2012 when the rate extension was applied retroactively for the full year. At that time, the American Taxpayer Relief Act of 2012 set the cover over rate for calendar years 2012 and 2013 at $13.25.

Matching Fund Revenues are not transferred to the VI directly when collected by TTB. Instead, the process involves an annual advance of monies, based on projected tax revenues (referred to as the "base advance"), and subsequent adjustments to the amount of the base 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 DOI

Each year the Governor of the VI (the "Governor") requests the VI's Matching Fund Revenue advance through a letter submitted in August to Interior ("DOI"). The Governor's request is based on an estimate prepared by the VI Office of Management and Budget ("OMB") based on projected rum production provided by Cruzan and Diageo, respectively, and the resulting federal excise tax revenues to be collected and the appropriate adjustment for such year. This adjustment is based on collected tax revenues two fiscal years earlier. DOI then determines the amount that will be transferred to the VI Government, and requests that the Treasury transfer that amount to an account (the "Escrow Account") held by the Special Escrow Agent acting on behalf of the VI Government, pursuant to a certain Special Escrow Agreement by and between the Government and the Special Escrow Agent (the "Special Escrow Agreement"). This transfer from DOI to the Special Escrow Agent typically occurs by September 30 each year.

[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 also can 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.

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. **DOI 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 is entitled to from 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 Revenue transfer is deposited into the Escrow Account. Bank statements for this account provide a record that the transfer amount requested by DOI was in fact received by the Escrow Agent 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 provides 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 projected rum shipments and sales for the next fiscal year prepared by Cruzan and Diageo. Although the Governor uses OMB's estimate in making annual transfer requests to DOI, it is ultimately DOI 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 – FY 2012

Fiscal Year	DOI 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	√	√	√
2010	√	√	√
2011	√	√	√
2012	√	√	√

[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 2012 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 the 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. Most recently, in 2012 the cover-over rate of $13.25 was not extended for the months from February through September. The extension was granted retroactively however, and in February 2013 the DOI approved payment of the difference between $10.50 and $13.25 as part of the fiscal year 2013 adjustment.

Table 2
TTB Monthly Cover-Over Reports
Components of Matching Fund Revenues, FY 1990-FY 2012

FY	Bulk Spirits ($)(a)	Customs ($)(b)	Adjustment to Bulk ($)(c)	Adjustment to Customs ($)(d)	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	-7,361.72	51,139,985.47
2000	58,947,063.81	11,136.58	3,732,477.89	0	62,690,678.28
2001	66,341,451.53	7,227.61	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	-3,403.88	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	1,236.48	845,567.30	0	75,125,609.51
2006	76,126,242.64	3.786.94	-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	91,938,530.38
2009	105,950,572.23	0.00	869,290.89	0	106,819,863.12
2010	105,345,977.65	11.67	-1,679,500.99	0	103,666,488.33
2011	109,833,565.32	1,457.67	14,065,557.37	0	123,900,580.36
2012	172,456,579.33	0.00	11,776,125.93	1.21	184,232,706.47

Source: TTB Monthly Cover-Over Letters, FY 1990 - FY 2012.

(a) Bulk Spirits - revenue collected from bulk rum purchases, calculated at the $10.50 per proof gallon rate through FY 1994, at the $11.30 rate through FY 1998, at the $10.50 rate in FY 1999, and then at $13.25 for FY 2000 through FY 2012.

(b) Customs - Customs collections on cased rum, computed at the 10.50 per proof gallon rate through FY 1994, at the $11.30 rate through FY 1998, at the $10.50 rate in FY 1999, and at $13.25 for FY 2000 through FY 2012.

(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. Similarly the large differences in FY 2007, FY 2008, and in FY2011 were 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 was renewed. Once the rate was renewed, the difference for those months was forwarded by Treasury to the VI.

(d) Adjustment to Customs - correction applied to account for discrepancies discovered in past Customs collections calculations.

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 FY 1993, FY 2000, FY 2001 and FY 2002. The FY 2000 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 FY. The adjustments in FY 1993, FY 2001 and FY 2002 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 FY 2002 advance of $60,121,000 was $215,534 greater than actual collections during that fiscal year. Thus, when the FY 2004 advance was requested an adjustment in the amount of $215,534 was made, decreasing the size of the FY 2004 advance payment.

Table 3
Components of Annual Adjustment Applied to Matching Fund Revenues
FY 1990 through FY 2012
Base Advances, Actual Excise Tax Collections and Subsequent Differences

Adjustment From FY	Projected Matching Fund Revenues ($)[1/]	Actual Adjustment From Two Years Prior	Actual Advance	Totals from Cover-Over Reports ($)[2/]	Expected Adjustment ($)
1990	29,000,000.00			28,964,426.35	-35,573.65
1991	29,000,000.00			27,519,219.45	-1,480,780.55
1992	28,500,000.00	151,241.00	28,651,241.00	28,529,864.13	29,864.13
1993	29,000,000.00	-1,480,780.00	27,519,220.00	29,395,671.72	395,671.72
1994	30,928,800.00	30,801.00	30,959,601.00	30,328,122.23	-600,677.77
1995[3/]	52,500,000.00	207,921.00	52,707,921.00	41,023,106.71	-11,476,893.29
1996	43,628,000.00	-600,347.00	43,027,653.00	42,641,206.67	-986,793.33
1997	46,150,000.00	-11,476,893.00	34,673,107.00	45,623,700.18	-526,299.82
1998[4/]	46,515,000.00	-918,876.00	45,596,124.00	50,308,122.87	3,793,122.87
1999	43,634,997.00	-526,300.00	43,108,697.00	51,139,985.47	7,504,988.47
2000[5/]	64,432,940.00	60	64,433,000.00	62,690,658.28	-1,742,281.72
2001	67,610,513.00	7,505,487.00	75,116,000.00	68,091,718.64	481,205.64
2002[5/]	60,121,000.00	-1,749,000.00	58,372,000.00	60,336,533.90	215,533.90
2003	70,397,250.00	480,750.00	70,878,000.00	64,102,855.64	-6,294,394.36
2004	65,849,003.00	-2,752,003.00	63,097,000.00	75,000,536.35	9,151,533.35
2005	66,961,000.00	-3,325,947.00	63,635,053.00	75,125,609.51	8,164,609.51
2006	78,712,000.00	9,152,078.00	87,864,078.00	70,879,354.04	-7,832,645.96
2007[6/]	71,295,000.00	8,164,206.00	79,459,206.00	86,710,344.77	15,415,344.77
2008[6/]	73,164,000.00	-7,833,522.84	65,330,477.16	91,938,530.48	18,774,530.48
2009[6/]	75,064,694.00	15,415,344.77	90,480,038.77	106,819,863.12	31,755,169.12
2010[7/]	90,875,456.00	18,774,862.48	109,650,318.48	103,666,488.33	12,791,032.33
2011[7/]	125,546,971.00	31,755,149.00	157,302,120.00	123,900,580.36	-1,646,390.64
2012	195,400,000.00	12,496,120.00	207,896,120.00	184,232,705.47	-11,167,294.53

Source: [1/] DOI 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 FY 2000. Since this was paid in advance, there was no expected adjustment in FY 2000.

[5/] There was an additional adjustment in FY 2000, due to an increase in the excise tax. In FY 2000, 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 FY

2007 difference of $15,415,345 was requested, and paid, early in FY 2008 instead of with the FY 2009 advance.

[7/] For 2010 and 2011 there were additional advance requests after the cover-over rate was increased to $13.25, from $10.50, after the initial request.

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 DOI's letters to Treasury.

Table 4
Differences Between Expected Adjustments and Actual Adjustments
FY 1992 through FY 2012

Fiscal Year	Actual Adjustment ($)	Expected Adjustment ($)[3/]	Difference Between Expected and Actual Adjustment ($)
1992	151,241.00	-35,573.66	186,814.66
1993	-1,480,780.00	-1,480,780.55	0.55
1994	30,801.00	29,864.13	936.87
1995	207,921.00	395,671.72	-187,750.72
1996[4/]	-600,347.00	-600,677.77	330.77
1997	-11,476,893.00	-11,476,893.29	0.29
1998	-918,876.00	-986,793.33	67,917.33
1999	-526,300.00	-526,299.82	-0.18
2000	60.00	0.00	60.00
2001	7,505,487.00	7,504,988.47	498.53
2002	-1,749,000.00	-1,742,341.72	-6,658.28
2003	480,750.00	481,205.64	-455.64
2004[5/]	-2,752,003.00	215,533.90	-2,967,536.90
2005[5/]	-3,325,947.00	-6,294,394.36	2,968,447.36
2006	9,152,078.00	9,151,533.35	544.65
2007	8,164,206.00	8,164,609.51	-403.51
2008	-7,833,522.84	-7,832,645.96	-876.88
2009[6/]	15,415,344.77	15,415,344.77	0.0
2010	18,774,862.48	18,774,530.48	332.00
2011[/]	31,755,149.00	31,755,169.12	-20.12
2012[/]	12,496,120.00	12,791,032.33	-294,912.33

Source: [1/, 2/]DOI 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, FY 2005, and FY 2009. 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 2011 period is minimal, and is equal to less than $75,000. This is an immaterial difference, given the magnitude of earnings figures.

3. The bank statements that we have received match the DOI 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 Revenue transfers officially requested by DOI 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, which was 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 205.8 million 9-liter cases in 2012, following 3.6% growth over 2011. Industry projections are for further growth in 2013, of 3.3%.[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 grew steadily from 1992, reaching 13.3% from 2008 through 2011. U.S. rum consumption has been rising for seventeen consecutive years since 1995. In 2012, U.S. rum consumption reached 26.9 million 9-liter cases, up 2.1% from 2011. As has also occurred with vodkas, recent growth has been in premium brands and in flavored varieties, though the U.S. recession induced a shift to value brands.

Rum is a highly concentrated market, with the top three brands accounting for 66% of U.S. consumption. Bacardi remains the leading rum, selling 9.5 million 9-liter cases in 2012, Captain Morgan, the number two brand, grew more quickly in the last decade and saw significant gains in market share. In 2012, with 6.1 million 9-liter cases, Captain Morgan's share of U.S. rum consumption amounted to 22.7%, down from 24.7% in 2009, following an aggressive pricing strategy. Cruzan's leading brand has been gaining market share through 2011. With average annual growth rate of 11.5% between 2002 and 2008, its market share increased from 1.8% to 2.6%.[4] This share fell, during the recession of 2009, to 2.1%, but a rebound in 2010 with an 11.9% gain in 9-liter cases sold in 2011, and a 7.9% gain in 2012 brought its market share to 2.9%. Ronrico, which Beam Global produces exclusively at the Cruzan plant under the Cruzan Agreement, is the 8th largest U.S. brand, but has seen its sales and market share decline over the last two decades.

[3] *Adams Liquor Handbook Advance* .
[4] *Adams Liquor Handbook Advance* .

Rum Production in the VI

Cruzan, now owned by Beam Global, a wholly owned subsidiary of Fortune Brands, Inc., after acquisition in September 2008 from Pernod Ricard, was the only rum producer in the VI until 2012.[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 U.S. trade agreements, such as the CBI, have resulted in advantages for the Virgin Islands, and also for Puerto Rico, in exporting rum to the U.S. 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.

Cruzan also enjoys certain cost advantages that will help it remain competitive. These include a molasses subsidy provided by the VI Government 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 VI Government’s continued need for Matching Fund Revenues, and the VI Government’s long-standing commitment to the rum industry, the VI 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 have assumed for purposes of this report that these tax incentives will remain in place. The Cruzan Agreement provides for tax incentives and the molasses subsidy until 2039 in exchange for producing all Cruzan and Ronrico products in the VI.

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]

[5] Pernord 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.

[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.

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., and rum sales from the VI to mainland U.S. commenced in February 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 15% to more than 35%, it also will help Diageo to continue positioning Captain Morgan into the non-price sensitive premium segment.

Previous Revenue Forecasts

Forecast of April 1998

In early 1998, in conjunction with the Virgin Islands Public Finance Authority's (the "PFA") $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 FY 1998 to FY 2003. 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.

Forecast of June 2009

In 2009, with data available through 2008, IHS Global Insight produced a report in connection with the issuance of Subordinated Matching Fund Revenue Bonds for the Diageo project 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%.

This Report projected Matching Fund Revenues from shipments to the U.S. from both the Cruzan facility and the planned Diageo facility.

Forecast of September 2009

In September 2009, IHS Global Insight produced a report in connection with the issuance of Matching Fund Revenue Bonds for the Cruzan wastewater facilities verifying and projecting Matching Fund Revenues for both the existing Cruzan facility and the Diageo facility then under construction. During 2009, Beam 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.

This report incorporated the planned expansion of the Cruzan plant under the terms of the Cruzan Agreement. This resulted in a significant increase in projected Matching Fund Revenues generated by Cruzan. It also incorporated more recent data and an updated U.S. economic outlook. A lower U.S. personal income forecast lowered our rum consumption forecast slightly, and therefore, our Diageo rum shipments projections.

Forecast of November 2009

In November 2009, IHS Global Insight produced a report in connection with the issuance of Subordinated Matching Fund Revenue Bonds for the Cruzan project verifying and projecting Matching Fund Revenues for both the improved Cruzan facility and the Diageo facility then under construction. This report incorporated a further planned expansion[7] in the Cruzan plant capacity, as well as industry data for 2009 which was more positive than we had previously forecast. In addition, the forecast incorporated new U.S. macroeconomic projections, which were slightly more optimistic in the near term.

Forecast of June 2010

In June 2010, IHS Global Insight projected a near term decline in rum consumption due to the lingering effects of the recession. It also anticipated continued market share gains by Captain Morgan. It turned out that, though rum consumption growth did slow in 2010 and 2011, and lost share versus other spirits, it remained positive. Meanwhile Captain Morgan lost market share to other brands, including Cruzan. In light of these trends we have reduced our forecasted growth for rum generally, and Captain Morgan specifically in this report.

Additionally, since the publishing of the June 2010 report, the expansion plans for the Cruzan plant have been abandoned. As a result, the current report assumes a plant capacity of 10.5 million proof gallons, down from the 16 million proof gallons assumed previously.

Forecast of August 2012

In August 2012, IHS Global projected rum consumption in 2012 would increase by 2.3%, to 26.5 million cases. Actual consumption, as estimated by Adams, increased by 2.1%, to 26.9 million cases after 2011 consumption estimates were revised higher. The long term consumption growth forecast was slightly higher in 2012 (2.3% vs. 2.2%) than that in this report due to a 2013 economic forecast of slightly slower growth in personal income in the U.S.

[7] The planned expansion has since been cancelled. As a result, our current forecast has assumed a lower production capacity than the November 2009 and June 2010 reports.

Each of the forecasts from June 2009 through August 2012 significantly overstated the resulting Matching Fund Revenues that would be generated when the Diageo plant began shipping Captain Morgan rum in 2012. The error was the result of the conversion from our projection of the volume of liters of rum shipped to the U.S. to the number of gallons subject to the Federal excise tax rate of $13.50 per 'proof gallon'. A proof gallon is a gallon of liquid spirits that is 50% alcohol (100 proof). One gallon of an 80 proof spirit would equal 0.8 proof gallons for tax purposes. Our earlier reports converted historical Captain Morgan rum sales to proof gallons using the rum industry average alcohol content. But we have found that the Captain Morgan rum products produced at the new plant have lower than average proof and hence fewer taxable proof gallons per liter of rum sold. This report corrects that proof gallon calculation.

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 2012 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, 1985-2012
(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	24,610,000	2.9%
2009	25,000,000	1.6%
2010	25,540,000	2.2%
2011	26,330,000	3.1%
2012	26,870,000	2.1%

Source: *Adams Media Liquor Handbook, 2008/2009/2010/2012/2013.*

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 2012 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 equation[8]:

Log (U.S. Rum Consumption) =

$$0.88456 * \log(\text{Real U.S. Personal Income}_{t-1}) + 0.03881 * \text{trend} + 0.02592 * \text{dummy2010} + 8.34768$$

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 0.88456 in the equation indicates its demand elasticity with respect to income. That is, a 1% increase in real income leads to a 0.88% increase in consumption. The positive coefficient on the trend variable implies that, sans real income growth, consumption would increase over time, by 0.04% per year.

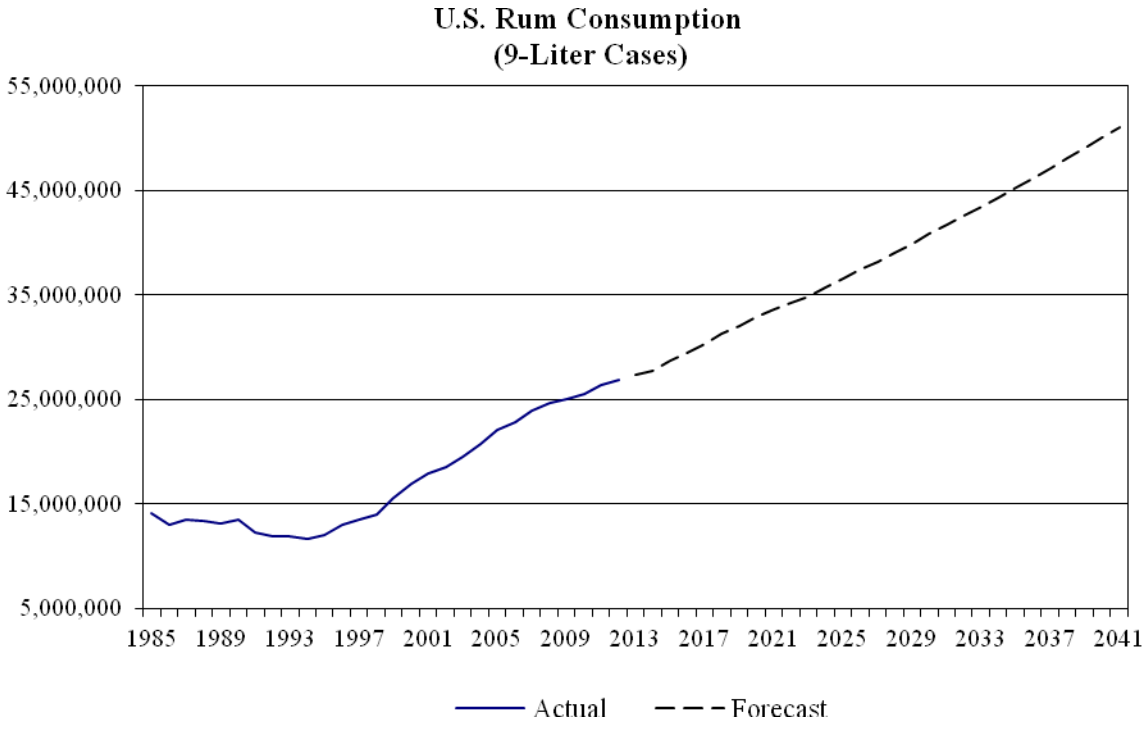
Once this equation was developed, we used it to project consumption for the 2013 through 2041 time period. Our consumption projections and corresponding growth rates are included in Table 6 on the following page. Graph 2 illustrates actual and projected U.S. rum consumption.

[8] 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, 2013-2041
(9-Liter Cases)

Year	Projected Consumption	Growth Rate
2013	27,330,546	1.7%
2014	27,779,510	1.6%
2015	28,661,616	3.2%
2016	29,495,245	2.9%
2017	30,351,438	2.9%
2018	31,249,687	3.0%
2019	32,056,393	2.6%
2020	32,840,009	2.4%
2021	33,557,432	2.2%
2022	34,211,426	1.9%
2023	34,888,818	2.0%
2024	35,718,750	2.4%
2025	36,556,491	2.3%
2026	37,384,398	2.3%
2027	38,212,914	2.2%
2028	39,056,283	2.2%
2029	39,913,685	2.2%
2030	40,793,181	2.2%
2031	41,692,874	2.2%
2032	42,565,278	2.1%
2033	43,443,025	2.1%
2034	44,323,920	2.0%
2035	45,230,146	2.0%
2036	46,176,310	2.1%
2037	47,145,377	2.1%
2038	48,124,851	2.1%
2039	49,112,596	2.1%
2040	50,098,059	2.0%
2041	51,087,239	2.0%

Graph 2



After average growth of under 2.0% during the recession, rum consumption regained momentum in 2012, expanding 3.1%. The expected deceleration of personal income this year will slow consumption growth in 2013 to 1.7%, and in 2014 to 1.6%, but the expansion will once again begin to pickup in 2015.

Base Projection: Constant Market Share

Assumptions

Under our baseline forecast, we assume that Cruzan (bulk and branded rum) and Captain Morgan will maintain a constant share of the U.S. rum market, while Ronrico sales will remain 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, in accordance with the terms of the Cruzan Agreement and the Diageo Agreement. It is also assumed that there will be no adverse impact on Cruzan production as a result of 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.

Following very strong growth in FY2008-2010[9], rum shipments from the VI to the U.S. fell 3.4% in FY 2011, to reach a total of 8.4 million proof gallons[10]. As a result, the share of Cruzan bulk

[9] In early 2009 Beam 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.
[10] One 9-liter case is equivalent to 1.897 proof gallons.

and branded rum in the U.S. rum market fell to 15.3% in FY2011, down from 16.3% in the previous year. Still, this is up from less than 13% in FY2007. Under our baseline forecast, we assume that Cruzan (exclusive of Ronrico) will be able to maintain its current share of the U.S. market until the plant reaches capacity in FY 2021. On the other hand, Ronrico's U.S. market share, which has fallen from around 3% in FY 2001 to 1.6% in FY 2012, will continue its decline, reaching 0.8% in FY2040.

Meanwhile, in 2009, before the relocated production from Puerto Rico to the VI, Diageo shipments of Captain Morgan to the U.S. amounted to 24.7% of U.S. rum consumption. The subsequent years were leaner, with Captain Morgan sales declining slightly in 2010 and 2011. As a result, Captain Morgan's market share was 22.7% in 2012. We assume that Diageo will be able to maintain this share of the U.S. market over the forecast. One important thing to note, however, is that in FY 2012 shipments from the Diageo plant were significantly less than capacity as the plant started up. The plant came on stream at the end of 2010 and it produced throughout 2011. After 12 months of maturation the blended product became available for sale and the first shipment was sent to the U.S. mainland in February 2012. Thus the distilled product was available for shipment only in the final eight months of FY 2012 (which runs from October 2011 to September 2012).

Table 7
Projected Shipments (Proof Gallons) - Baseline Scenario, FY 2013-2041

Fiscal Year	Projected Shipments			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2013	7,909,235	796,740	9,100,000	17,805,975
2014	8,039,161	796,740	9,249,488	18,085,389
2015	8,294,436	796,740	9,543,194	18,634,370
2016	8,535,681	796,740	9,820,760	19,153,181
2017	8,783,456	796,740	10,105,839	19,686,035
2018	9,043,402	796,740	10,404,920	20,245,062
2019	9,276,856	796,740	10,673,522	20,747,118
2020	9,503,628	796,740	10,934,435	21,234,803
2021	9,703,260	796,740	11,173,309	21,673,309
2022	9,703,260	796,740	11,391,063	21,891,063
2023	9,703,260	796,740	11,616,608	22,116,608
2024	9,703,260	796,740	11,892,943	22,392,943
2025	9,703,260	796,740	12,171,878	22,671,878
2026	9,703,260	796,740	12,447,539	22,947,539
2027	9,703,260	796,740	12,723,402	23,223,402
2028	9,703,260	796,740	13,004,211	23,504,211
2029	9,703,260	796,740	13,289,692	23,789,692
2030	9,703,260	796,740	13,582,530	24,082,530
2031	9,703,260	796,740	13,882,092	24,382,092
2032	9,703,260	796,740	14,172,569	24,672,569
2033	9,703,260	796,740	14,464,824	24,964,824
2034	9,703,260	796,740	14,758,127	25,258,127
2035	9,703,260	796,740	15,059,865	25,559,865
2036	9,703,260	796,740	15,374,901	25,874,901
2037	9,703,260	796,740	15,697,562	26,197,562
2038	9,703,260	796,740	16,023,688	26,523,688
2039	9,703,260	796,740	16,352,569	26,852,569
2040	9,703,260	796,740	16,680,689	27,180,689
2041	9,703,260	796,740	17,010,047	27,510,047

Revenue Projection

Assuming that Congress extends the federal excise tax rate realized by the VI Government of $13.25 per proof gallon, we can calculate future cover-over revenues from Diageo and Cruzan rum, based on the shipment projections. These results are shown in Table 8.

Table 8
Projected Total Revenues (Dollars), FY 2013-2041
Constant Market Share Scenario

Fiscal Year	Projected Revenues			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2013	$104,797,359	$10,556,805	$120,575,000	$235,929,164
2014	$106,518,888	$10,556,805	$122,555,711	$239,631,404
2015	$109,901,270	$10,556,805	$126,447,324	$246,905,400
2016	$113,097,769	$10,556,805	$130,125,068	$253,779,643
2017	$116,380,792	$10,556,805	$133,902,362	$260,839,960
2018	$119,825,074	$10,556,805	$137,865,194	$268,247,073
2019	$122,918,342	$10,556,805	$141,424,165	$274,899,312
2020	$125,923,069	$10,556,805	$144,881,265	$281,361,139
2021	$128,568,195	$10,556,805	$148,046,345	$287,171,345
2022	$128,568,195	$10,556,805	$150,931,589	$290,056,589
2023	$128,568,195	$10,556,805	$153,920,059	$293,045,059
2024	$128,568,195	$10,556,805	$157,581,494	$296,706,494
2025	$128,568,195	$10,556,805	$161,277,384	$300,402,384
2026	$128,568,195	$10,556,805	$164,929,888	$304,054,888
2027	$128,568,195	$10,556,805	$168,585,075	$307,710,075
2028	$128,568,195	$10,556,805	$172,305,791	$311,430,791
2029	$128,568,195	$10,556,805	$176,088,417	$315,213,417
2030	$128,568,195	$10,556,805	$179,968,516	$319,093,516
2031	$128,568,195	$10,556,805	$183,937,720	$323,062,720
2032	$128,568,195	$10,556,805	$187,786,533	$326,911,533
2033	$128,568,195	$10,556,805	$191,658,915	$330,783,915
2034	$128,568,195	$10,556,805	$195,545,188	$334,670,188
2035	$128,568,195	$10,556,805	$199,543,213	$338,668,213
2036	$128,568,195	$10,556,805	$203,717,433	$342,842,433
2037	$128,568,195	$10,556,805	$207,992,693	$347,117,693
2038	$128,568,195	$10,556,805	$212,313,870	$351,438,870
2039	$128,568,195	$10,556,805	$216,671,536	$355,796,536
2040	$128,568,195	$10,556,805	$221,019,132	$360,144,132
2041	$128,568,195	$10,556,805	$225,383,129	$364,508,129
Total	**$3,619,294,659**	**$306,147,345**	**$4,936,980,009**	**$8,862,422,013**

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 and branded rum shipments. Future earnings are expressed as a function of U.S. real personal income as follows:[11]

Total Matching Fund Revenue =

0.01034* Real Personal Income + 5.78979* Step (1995) + 16.9335* Step (2008) - 41.2050

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 2012. A first order moving average term was included to capture the short-term dynamics of revenues.

Projected Matching Fund Revenues from Cruzan's bulk rum shipments are shown in Table 9. As in the Baseline Projection, the U.S. recession has resulted 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, to reach a peak of 17% in FY 2016. In FY2017 the plant will reach capacity. 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.[12]

To project revenues from Diageo rum under this scenario, we first project Captain Morgan shipments using historical data for 1991-2012 from the Adam's Liquor Handbook. In this model, Captain Morgan shipments are expressed as a function of U.S. rum consumption as follows:

Log (Captain Morgan) =

1.53581* log(U.S. Rum Consumption) - 10.4545

The equation was adjusted using the Cochrane-Orcutt iterative method to correct for autocorrelation and has an R-square 0.99. The coefficient of 1.53581 in the equation indicates a 1% increase in U.S. rum consumption leads to a 1.5% increase in Captain Morgan shipments. This means that Captain Morgan's share of the U.S. rum market, which had been steadily increasing before 2009, will begin to rise once again, reaching a peak of 30.1% in FY 2032. A year later the Diageo plant will reach capacity and continue to produce 18 million proof gallons each year until FY 2041. Again, as in the baseline forecast, during FY 2012, shipments of rum

[11] 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.

[12] 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.

from the Diageo plant will be limited to less than 7 million proof gallons due to startup 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 U.S. 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 U.S. Ronrico consumption. That model is captured by the following equation:

Log (Ronrico) =

-0.14985* log(U.S. Rum Consumption) + 16.2373

The R-square statistic for this equation is just 0.82, a reflection of the small amount of change in U.S. consumption of Ronrico in recent years. Indeed the negative, -0. 14985, 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 Growing Market Share Scenario
Projected Total Revenues (Dollars), FY 2013-2041

Fiscal Year	Projected Revenues			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2013	$111,986,178	$10,529,954	$120,575,000	$243,091,132
2014	$116,732,516	$10,504,275	$123,630,357	$250,867,148
2015	$121,235,579	$10,455,183	$129,710,600	$261,401,363
2016	$125,877,852	$10,410,361	$135,549,647	$271,837,859
2017	$128,759,184	$10,365,816	$141,639,492	$280,764,492
2018	$128,804,389	$10,320,611	$148,128,146	$287,253,146
2019	$128,843,732	$10,281,268	$154,041,412	$293,166,412
2020	$128,880,874	$10,244,126	$159,862,293	$298,987,293
2021	$128,913,996	$10,211,004	$165,257,187	$304,382,187
2022	$128,943,487	$10,181,513	$170,229,274	$309,354,274
2023	$128,973,358	$10,151,642	$175,433,213	$314,558,213
2024	$129,009,059	$10,115,941	$181,883,150	$321,008,150
2025	$129,044,141	$10,080,859	$188,475,730	$327,600,730
2026	$129,077,915	$10,047,085	$195,070,949	$334,195,949
2027	$129,110,864	$10,014,136	$201,749,827	$340,874,827
2028	$129,143,570	$9,981,430	$208,628,597	$347,753,597
2029	$129,175,998	$9,949,002	$215,703,887	$354,828,887
2030	$129,208,440	$9,916,560	$223,046,594	$362,171,594
2031	$129,240,805	$9,884,195	$230,646,197	$369,771,197
2032	$129,271,431	$9,853,569	$238,099,708	$377,224,708
2033	$129,301,524	$9,823,476	$238,500,000	$377,625,000
2034	$129,331,031	$9,793,969	$238,500,000	$377,625,000
2035	$129,360,690	$9,764,310	$238,500,000	$377,625,000
2036	$129,390,937	$9,734,063	$238,500,000	$377,625,000
2037	$129,421,185	$9,703,815	$238,500,000	$377,625,000
2038	$129,451,040	$9,673,960	$238,500,000	$377,625,000
2039	$129,480,448	$9,644,552	$238,500,000	$377,625,000
2040	$129,509,118	$9,615,882	$238,500,000	$377,625,000
2041	$129,537,252	$9,587,748	$238,500,000	$377,625,000
Total	**$3,705,016,593**	**$290,840,305**	**$5,653,861,260**	**$9,649,718,158**

Alternative Projection: Lower Cover-Over Rate

Since 1999 Congress, has regularly extended a temporary rate increase, bringing the cover-over rate to $13.25 per proof gallon, up from a cap of $10.50. In the absence of Congressional extensions, however, the cover-over rate returns to $10.50 per proof gallon, as it during the period between March and November 2012. 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

Fiscal Year	Projected Revenues			
	Cruzan (Bulk + Branded)	Ronrico	Captain Morgan	Total
2013	$83,046,964	$8,365,770	$95,550,000	$186,962,734
2014	$84,411,194	$8,365,770	$97,119,620	$189,896,584
2015	$87,091,573	$8,365,770	$100,203,540	$195,660,883
2016	$89,624,648	$8,365,770	$103,117,979	$201,108,396
2017	$92,226,288	$8,365,770	$106,111,306	$206,703,364
2018	$94,955,719	$8,365,770	$109,251,663	$212,573,152
2019	$97,406,988	$8,365,770	$112,071,980	$217,844,738
2020	$99,788,092	$8,365,770	$114,811,569	$222,965,431
2021	$101,884,230	$8,365,770	$117,319,745	$227,569,745
2022	$101,884,230	$8,365,770	$119,606,165	$229,856,165
2023	$101,884,230	$8,365,770	$121,974,386	$232,224,386
2024	$101,884,230	$8,365,770	$124,875,901	$235,125,901
2025	$101,884,230	$8,365,770	$127,804,719	$238,054,719
2026	$101,884,230	$8,365,770	$130,699,157	$240,949,157
2027	$101,884,230	$8,365,770	$133,595,720	$243,845,720
2028	$101,884,230	$8,365,770	$136,544,211	$246,794,211
2029	$101,884,230	$8,365,770	$139,541,765	$249,791,765
2030	$101,884,230	$8,365,770	$142,616,560	$252,866,560
2031	$101,884,230	$8,365,770	$145,761,967	$256,011,967
2032	$101,884,230	$8,365,770	$148,811,969	$259,061,969
2033	$101,884,230	$8,365,770	$151,880,650	$262,130,650
2034	$101,884,230	$8,365,770	$154,960,338	$265,210,338
2035	$101,884,230	$8,365,770	$158,128,584	$268,378,584
2036	$101,884,230	$8,365,770	$161,436,456	$271,686,456
2037	$101,884,230	$8,365,770	$164,824,398	$275,074,398
2038	$101,884,230	$8,365,770	$168,248,727	$278,498,727
2039	$101,884,230	$8,365,770	$171,701,972	$281,951,972
2040	$101,884,230	$8,365,770	$175,147,237	$285,397,237
2041	$101,884,230	$8,365,770	$178,605,498	$288,855,498
Total	**$2,868,120,296**	**$242,607,330**	**$3,912,323,781**	**$7,023,051,407**

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 2012 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 annual Matching Fund Revenues will amount to $364.5 million in FY 2041. Under an alternative, more optimistic scenario, the Growing Market Share Scenario, Matching Fund Revenues grow at a faster pace, until they reach the peak of $378 million per year in FY2033, once both plants have reached production capacity. Finally, under the Lower Cover-Over Rate Scenario, Matching Fund Revenues reach $289 million in FY 2041.

All scenarios assume that Cruzan and Diageo will maintain operations in the VI until FY 2041, as contractually obligated, 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, under the terms of the Cruzan Agreement, it is reasonable to assume that Cruzan will maintain its operations in the VI. Similarly, Diageo received significant incentives to produce all of its U.S. distribution of Captain Morgan rum in the new St Croix distillery for a 30 year period beginning in 2012.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

September 19, 2013

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 $36,000,000 Revenue Refunding Bonds (Virgin Islands Matching Fund Loan Notes) Series 2013A (Senior Lien) (the "Series 2013A 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, and 2013 V.I. Act 7509 (collectively, the "Act"), and Resolution No. 13-008, dated August 21, 2013 (the "Bond Resolution").

The Series 2013A Bonds are issued under and pursuant to the Revised Organic Act, the Act, the Bond Resolution, an Indenture of Trust, dated as of May 1, 1998 (the "Indenture of Trust"), as previously supplemented and amended, including as supplemented by an Eighth Supplemental Indenture of Trust, dated as of September 1, 2013 (the "Eighth Supplemental Indenture" and, together with the Indenture of Trust, the "Indenture"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as successor trustee (the "Trustee"). All terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The Series 2013A Bonds will be secured by the Indenture, which pledges and assigns to the Trustee a lien on and a security interest in the Trust Estate, subject to the provisions of the Indenture.

The proceeds of the Series 2013A Bonds are being loaned by the Authority to the Government pursuant to a Loan Agreement, dated as of September 1, 2013, by and among the Authority, the Government and the Trustee (the "Series 2013A Loan Agreement"), against delivery by the Government of its $36,000,000 principal amount Series 2013A Matching Fund Loan Note (the "Series 2013A Loan Note").

The Series 2013A 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 Indenture.

The proceeds of the Series 2013A Bonds will be used to (i) advance or current refund the Series 2004A Bonds to be Refunded, the Series 2009A-1 Bonds to be Refunded and the Series 2009B Bonds to be Refunded, (ii) fund the Series 2013A Senior Lien Debt Service Reserve Subaccount in an amount

necessary to equal to the Series 2013A Debt Service Reserve Requirement, and (iii) pay certain costs of issuing the Series 2013A Bonds.

Pursuant to the Indenture, the Authority is authorized to issue Additional Senior Lien Bonds from time to time upon the terms and conditions set forth therein.

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 2013A Bonds in order that interest on the Series 2013A 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 2013A 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 2013A 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 2013A 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 the Government 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 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 Indenture creates the valid pledge which it purports to create of the Trust Estate, moneys, securities and funds held or set aside under the Indenture, subject only to the application thereof to the purposes and on the conditions permitted by the Indenture.

3. The Series 2013A Bonds are valid and binding special limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of the Indenture, the Revised Organic Act, and the Act, and the Series 2013A Bonds have been duly and validly authorized and issued in accordance with law (including the Act and the Revised Organic Act) and the Indenture.

4. Under existing statutes and court decisions, interest on the Series 2013A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Code and interest on the Series 2013A Bonds is not treated as a preference item in calculating the alternative minimum taxable income imposed on individuals and corporations under the Code. However, interest on the Series 2013A Bonds is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax. Under existing statutes, interest on the Series 2013A Bonds is 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 2013A Bonds, or the purposes to which the proceeds thereof are to be applied, after the date hereof.

Except as stated in paragraph 4, we express no opinion regarding any other federal, state, local or foreign tax consequences with respect to the Series 2013A Bonds. We express no opinion regarding the federal, state, local or foreign tax consequences of any action hereafter taken or not taken in reliance upon an opinion of other counsel with respect to the Series 2013A Bonds.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the Series 2013A Bonds.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. It is understood that the rights of the holders of the Series 2013A Bonds under the Indenture and the enforceability thereof under the same may be subject to the exercise of judicial discretion, the sovereign police powers of the Government 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 one of each of the Series 2013A Bonds as executed, and, in our opinion, the form of said Series 2013A Bonds and their execution are regular and proper.

Very truly yours,

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information contained in this APPENDIX F has been extracted from a document prepared by DTC, entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE."

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount thereof, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 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 Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments 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 Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

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

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

The information in this APPENDIX F concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, Jefferies and Bostonia believe to be reliable, but the Authority, Jefferies and Bostonia take no responsibility for the accuracy thereof.

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APPENDIX G

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "**Disclosure Agreement**"), dated as of September 1, 2013, is executed and delivered by the Virgin Islands Public Finance Authority (the "**Authority**") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "**Disclosure Dissemination Agent**" or "**DAC**") for the benefit of the Holders and the Participating Underwriters (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("**Rule 15c2-12**") and the laws of the United States Virgin Islands.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in Rule 15c2-12 or, to the extent not in conflict with Rule 15c2-12, in the Offering Document (hereinafter defined). The capitalized terms shall have the following meanings:

"**Additional Disclosure**" means the information provided to the Disclosure Dissemination Agent by the Authority pursuant to Sections 9(a) and 9(b).

"**Annual Filing Date**" means the date set forth in Sections 2(a) and 2(f) by which the Annual Report is to be filed with the Repository.

"**Annual Financial Information**" means annual financial information as such term is used in paragraph (b)(5)(i) of Rule 15c2-12 and specified in Section 3(a) of this Disclosure Agreement.

"**Annual Report**" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"**Audited Financial Statements**" means the financial statements (if any) of the Authority for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of Rule 15c2-12 and specified in Sections 3(b) and 3(c) of this Disclosure Agreement.

"**Bonds**" means the bonds, with the 9-digit CUSIP numbers relating thereto, listed on the attached **Exhibit A**.

"**Certification**" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Quarterly Report, Additional Disclosure, Voluntary Report or notice of a Listed Event delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Quarterly Report, Additional Disclosure, Voluntary Report or notice of a Listed Event required to be submitted to the Repository under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Authority and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"**Disclosure Dissemination Agent**" or "**DAC**" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Authority pursuant to Section 13.

"**Disclosure Representative**" means the Director of Finance and Administration of the Authority or his or her designee, or such other person as the Authority shall designate in writing to the

Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"**Event**" means an event listed in Sections 7(a) of this Disclosure Agreement.

"**Holder**" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"**Information**" means the Annual Financial Information, the Audited Financial Statements (if any), the Quarterly Report, the Additional Disclosure, the Voluntary Report and the notice of the Listed Event.

"**MSRB**" means the Municipal Securities Rulemaking Board established pursuant to Section 16B(b)(1) of the Securities Exchange Act of 1934.

"**Offering Document**" means that offering document prepared by the Authority in connection with the issuance of the Bonds listed in **Exhibit A**.

"**Participating Underwriter(s)**" means the Participating Underwriter(s), as defined by Rule 15c2-12, of the respective issue of Bonds listed in **Exhibit A**.

"**Quarterly Report**" means information required to be provided on a quarterly basis as specified in Section 5 of this Disclosure Agreement.

"**Quarterly Report Date**" means within 45 days after of the end of each quarter of each Fiscal Year.

"**Repository**" means (i) MSRB or any other entity designated or authorized by the SEC to receive reports pursuant to Rule 15c2-12 and (ii) any State Depository. Until otherwise designated by the MSRB or the SEC, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"**SEC**" means the United States Securities and Exchange Commission.

"**State Depository**" means any public or private depository or entity designated by the Government of the Virgin Islands as a state information depository.

"**Trustee**" means the institution defined as such in the document under which the respective issue of Bonds was issued.

"**Voluntary Report**" means the information provided to the Disclosure Dissemination Agent by the Authority pursuant to Section 10.

SECTION 2. Provision of Annual Reports.

(a) The Authority shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the Repository not later than 270 days after the end of each fiscal year of the Authority, commencing with the fiscal year ending September 30, 2013. Such date and each anniversary thereof is the Annual Filing Date. The

Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 6 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Authority of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Authority will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such fiscal year will be provided and instruct the Disclosure Dissemination Agent that a Listed Event as described in Section 7(a)(17) has occurred and to immediately send a notice to the Repository in substantially the form attached as **Exhibit B**.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 pm on the Annual Filing Date for the Annual Report, a Listed Event described in Section 7(a)(17) shall have occurred and the Authority irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as **Exhibit B**.

(d) If Audited Financial Statements of the Authority are prepared but not available prior to the Annual Filing Date, the Authority shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with the Repository.

(e) The Disclosure Dissemination Agent shall:

(i) determine the name and address of the Repository each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the Repository;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the Repository;

(iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB and a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as **Exhibit C**, describing the event by checking the appropriate box on the form attached as **Exhibit C** when filing pursuant to:

1. Section 7(c) and the relevant subsection of Section 7(a) of this Disclosure Agreement; or

2. Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement, together with a completed copy of **Exhibit B** to this Disclosure Agreement.

(v) provide the Authority evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Authority may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination

Agent, Trustee (if any) and the Repository, provided that the period between the existing Annual Filing Date and the new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Authority, including an update to the tabular information provided in the Offering Document 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."

(b) Audited Financial Statements of the Authority prepared in accordance with generally accepted accounting principles ("**GAAP**") as described in the Offering Document will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

(c) Audited Financial Statements of the Government prepared in accordance with GAAP as described in the Offering Document will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

(d) Solely with respect to the Series 2004A Bonds, each Annual Report shall contain Form 10-K of Beam Global Spirits & Wine, Inc. or any subsequent owner of Cruzan VIRIL, Ltd., as and only as required by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended.

(e) The information regarding amendments to this Disclosure Agreement pursuant to Section 16 of this Disclosure Agreement will be included in the Annual Report.

SECTION 4. Provision of Quarterly Reports.

(a) The Authority shall provide, quarterly, an electronic copy of the Quarterly Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Quarterly Filing Date. Promptly upon receipt of an electronic copy of the Quarterly Report and the Certification, the Disclosure Dissemination Agent shall provide a Quarterly Report to the Repository not later than 45 days after the end of each quarter of each fiscal year of the Authority, commencing with the quarter ending June 30 of fiscal year ending September 30, 2013. Such date and each 45 days after each quarter thereof is the Quarterly Filing Date. The Quarterly Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 6 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Quarterly Filing Date, the Disclosure Dissemination Agent has not received a copy of the Quarterly Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Authority of its undertaking to provide the Quarterly Report pursuant to Section 4(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Quarterly Report and the Certification) no later than two (2) business days prior to the Quarterly Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Authority will not be able to file the Quarterly Report within the time required under this Disclosure Agreement, state the date by which the Quarterly Report for such quarter will be provided and instruct the Disclosure Dissemination Agent that a Listed Event as described in Section

7(a)(17) has occurred and to immediately send a notice to the Repository in substantially the form attached as **Exhibit B**.

(c) If the Disclosure Dissemination Agent has not received a Quarterly Report and Certification by 12:00 noon on the first business day following the Quarterly Filing Date for the Quarterly Report, an Event described in Section 7(a)(17) shall have occurred and the Authority irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as **Exhibit B**.

(d) The Disclosure Dissemination Agent shall:

(i) determine the name and address of the Repository prior to the Quarterly Filing Date;

(ii) upon receipt, promptly file each Quarterly Report received under Section 4(a) with the Repository; and

(iii) upon receipt, promptly file with the MSRB the text of each disclosure and a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as **Exhibit C**, describing the event by checking the appropriate box on the form attached as **Exhibit C** when filing pursuant to:

1. Section 7(c) and the relevant subsection of Section 7(a) of this Disclosure Agreement; or

2. Section 4(b)(ii) or Section 4(c) of this Disclosure Agreement, together with a completed copy of **Exhibit B** to this Disclosure Agreement; and

(iv) provide the Authority evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

SECTION 5. Content of Quarterly Reports.

(a) The Authority and the Government shall provide 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.

(b) During construction of the Cruzan Wastewater Treatment Project, Cruzan shall provide to the Authority quarterly updates on the construction progress of the Cruzan Wastewater Treatment Project against the plans for completion of construction, which, promptly upon receipt, the Authority shall transmit to the Disclosure Dissemination Agent.

SECTION 6. Incorporation by Reference; Modified Data.

(a) Any or all of the items listed in Section 3 and Section 5 hereof may be included by specific reference from other documents, including official statements of debt issues with respect to which the Authority is an "obligated person" (as defined by Rule 15c2-12), which have been previously filed with the Repository or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Authority will clearly identify each such document so incorporated by reference.

(b) The requirements contained under Section 3 and Section 5 hereof are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of Section 3 or Section 5 call for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

(c) Any annual or quarterly financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 7. Event Disclosure.

(a) The Authority will provide or cause to be provided to the MSRB a notice of the occurrence of any Event not later than ten (10) business days after the occurrence of an Event. Each notice an Event shall be so captioned and shall prominently state the title, date and CUSIP number of the Bonds. "Event" means any one of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or issuance by the IRS of proposed or final determination of taxability or of a Notice or Proposed Issue;
6. Tender Offers;
7. Defeasances;
8. Rating Changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person;
10. Unless described in 7(a)(5), other material notices or determinations by the IRS with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds
11. Modifications to rights of Bond Holders;
12. Optional, unscheduled or contingent Bond calls, if material;
13. Release, substitution, or sale of property securing repayment of the Bonds, if material;
14. Non-payment related defaults, if material;

15. Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligation person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relation to any such actions, other than pursuant to its terms;

16. Appointment of a successor or additional trustee or the change of name of a trustee;

17. Failure to provide annual or quarterly financial information as required; and

18. Other material event notice (specify) _____.

Note: for the purposes of the Event identified in subparagraph 7(a)(9) above, the Event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

Notwithstanding the foregoing, notice of the Event described in subparagraphs 7(a)(7) or 7(a)(12) need not be given any earlier than the notice (if any) of the underlying event is given to the Bondholders of affected Bonds pursuant to the Resolution.

The Authority shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of any Event listed above. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Authority desires to make, the written authorization of the Authority for the Disclosure Dissemination Agent to disseminate such information, and the date the Authority desires for the Disclosure Dissemination Agent to disseminate the information, provided that such disclosure must occur within 10 days of the occurrence of the Event.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Authority or the Disclosure Representative of an event that may constitute an Event. If the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative shall within five (5) business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) an Event has not occurred and no filing is to be made or (ii) an Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Authority desires to make, the written authorization of the Authority for the Disclosure Dissemination Agent to disseminate such information, and the date the Authority desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Authority as prescribed in subsection (a) or (b)(ii) of this Section to report the occurrence of an Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the Repository.

SECTION 8. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Events, Quarterly Reports, Additional

Disclosure and Voluntary Reports, the Authority shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 9. Additional Disclosure Obligations.

(a) Upon receipt from Cruzan, the Authority shall promptly transmit the following information to the Disclosure Dissemination Agent:

(i) With respect to the Cruzan Facility, Cruzan promptly shall provide to the Authority 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.

(b) Upon receipt from Diageo USVI, the Authority shall promptly transmit the following information to the Disclosure Dissemination Agent:

(i) After the Diageo Project becomes fully operational, Diageo USVI promptly shall provide to the Authority information with respect to any interruption of production that could materially impact 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.

(c) Upon receipt from the Authority of an Additional Disclosure and a Certification of the Disclosure Representative accompanying such information, the Disclosure Dissemination Agent shall:

(i) in the case of an Additional Disclosure received under Section 9(a)(i) or 9(b)(i), promptly file with the MSRB the text of the Annual Disclosure and a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as **Exhibit C**, describing the Event by checking the appropriate box on the form attached as **Exhibit C** together with the summary description provided by the Disclosure Representative; and:

(ii) provide the Authority evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

SECTION 10. Voluntary Reports.

(a) The Authority may instruct the Disclosure Dissemination Agent to file information with the Repository, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information.

(b) Upon receipt, the Disclosure Dissemination Agent shall promptly file the text of each Voluntary Report to be made with the MSRB and a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as **Exhibit C**, describing the event by checking the appropriate box on the form attached as **Exhibit C** together with the summary description provided by the Disclosure Representative.

(c) Nothing in this Disclosure Agreement shall be deemed to prevent the Authority from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Quarterly Report, Additional Disclosure, Voluntary Report or notice of an Event, in addition to that required by this Disclosure Agreement. If the Authority chooses to include any information in any Annual Report, Annual Financial Statement, Quarterly Report, Voluntary

Report or notice of an Event in addition to that which is specifically required by this Disclosure Agreement, the Authority shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Quarterly Report, Voluntary Report or notice of an Event.

SECTION 11. Other State and Federal Law Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Authority, and that the failure of the Disclosure Dissemination Agent to advise the Authority that state and federal laws, including securities laws and disclosure obligations thereunder, may apply to the Authority shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Authority acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 12. Termination of Reporting Obligation. The obligations of the Authority and the Disclosure Dissemination Agent under this Disclosure Agreement, the obligations of the Government pursuant to Sections 3(c) and 5(a) hereof, the obligations of Cruzan pursuant to Sections 5(b) and 9(a) hereof and the obligations of Diageo USVI pursuant to Section 9(b) hereof with respect to a series of Bonds shall terminate upon the legal defeasance, prior redemption or payment in full of all Bonds of such series, when the Authority is no longer an obligated person with respect to such Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required; provided, however, that the respective obligations of the Authority and Cruzan pursuant to Section 5(b) hereof shall terminate upon the completion of the construction of the Cruzan Wastewater Treatment Project and the Cruzan Expansion.

SECTION 13. Disclosure Dissemination Agent. The Authority has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Authority may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Authority or DAC, the Authority agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders and the Participating Underwriters of the Bonds. Notwithstanding any replacement or appointment of a successor, the Authority shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Authority.

SECTION 14. Remedies in Event of Default. In the event of a failure of the Authority or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement; provided that any Holder or Participating Underwriter seeking to require compliance with this Disclosure Agreement shall first provide to the Disclosure Representative at least 30 days' prior written notice of the Authority's failure, giving reasonable details of such failure, following which notice the Authority shall have 30 days to comply. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default with respect to the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default with respect to the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 15. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Authority has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information 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 Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Authority's failure to report to the Disclosure Dissemination Agent a Listed 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 has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Authority at all times.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Authority. The obligations of the Authority under this Section 15(b) shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

SECTION 16. Amendment; Waiver.

(a) The Authority at any time and from time to time may waive any provision of this Disclosure Agreement or enter into any amendments to this Disclosure Agreement for any of the following purposes:

(i) to comply with or conform to Rule 15c2-12 or any amendments thereto or authoritative interpretations thereof by the SEC or its staff (whether required or optional) which are applicable to the Disclosure Agreement;

(ii) to replace or appoint a successor to the Disclosure Dissemination Agent; or

(iii) for any other purpose as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Authority, or type of business conducted; provided that (a) the Disclosure Agreement, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of Rule 15c2-12, as well as any change in circumstances, (b) the amendment or change does not materially impair the interests of Holders, as determined by counsel expert in federal securities laws and (c) the Authority receives a written opinion of counsel expert in federal securities laws that such amendment is authorized or permitted by this Disclosure Agreement;

provided neither the Authority or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto; and further provided that, if an amendment of this Disclosure Agreement affects the respective obligations of the Government, Cruzan or Diageo USVI hereunder, the Authority and the Disclosure Dissemination Agent may not amend this Disclosure Agreement without obtaining prior written consent of the Government, Cruzan or Diageo USVI, as applicable, to such an amendment.

(b) Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of Rule 15c2-12 as announced by the SEC from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Authority. No such amendment shall become effective if the Authority shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 17. Beneficiaries; Applicability to Previously Issued Bonds.

(a) This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Disclosure Dissemination Agent, the Participating Underwriters and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

(b) This Disclosure Agreement covers those Bonds heretofore issued by the Authority as set forth in Exhibit A as such Exhibit A may be supplemented or amended from time to time.

SECTION 18. Governing Law. This Disclosure Agreement shall be governed by the laws of the United States Virgin Islands (other than with respect to conflicts of laws).

SECTION 19. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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The Disclosure Dissemination Agent and the Authority have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By:_____
Paula Stuart
CEO

VIRGIN ISLANDS
PUBLIC FINANCE AUTHORITY

By:_____
Angel E. Dawson, Jr.
Executive Director

ACKNOWLEDGEMENT AND AGREEMENT:

The Government of the United States Virgin Islands hereby acknowledges the Authority's undertaking to provide information in accordance with Rule 15c2-12 as described herein and agrees to make available (i) within 270 days of the end of the Government's fiscal year, information set forth in Section 3(c) hereof, and (ii) within 45 days of the end of each quarter of the Government's fiscal year, information set forth in Section 5(a) hereof.

By: _____
Angel E. Dawson, Jr.
Commissioner of Finance

ACKNOWLEDGEMENT AND AGREEMENT:

Cruzan VIRIL, Ltd. hereby acknowledges the Authority's undertaking to provide information in accordance with Rule 15c2-12 as described herein and agrees to make available to the Authority, (i) within 45 days of the end of each quarter of the Authority's Fiscal Year, information set forth in Section 5(b) hereof and (ii) timely provide the information set forth in Section 9(a) hereof. This acknowledgment and agreement is limited to the information specified above only, and Cruzan does not admit that it comes within the definition of an Issuer of Municipal Securities or an Obligated Person for purposes of Rule 15c2-12.

By: _____
Gary C. Nelthropp
President and Chief Executive Officer

ACKNOWLEDGEMENT AND AGREEMENT:

Diageo USVI Inc. hereby acknowledges the Authority's undertaking to provide information in accordance with Rule 15c2-12 as described herein and agrees to make available to the Authority, within the respective time limits provided in Section 9(b) hereof, the information set forth in such Section. This acknowledgment and agreement is limited to the information specified above only, and Diageo USVI Inc. does not admit that it comes within the definition of an Issuer of Municipal Securities or an Obligated Person for purposes of Rule 15c2-12.

By: _____
Robert Bowman
Vice President

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Virgin Islands Public Finance Authority
Obligated Person(s):	Virgin Islands Public Finance Authority
Principal Amount & Name of Bond Issue:	$94,000,000 Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2004A
Date of Offering Document:	December 2, 2004
Date of Issuance:	December 15, 2004
Participating Underwriters:	Citi, Morgan Stanley, et al.
CUSIP Numbers:	927676LM6
	927676LN4
	927676LP9
	927676LQ7
	927676LR5
	927676LS3
	927676LT1
	927676LU8
	927676LV6
	927676LW4
	927676LX2
	927676LY0
	927676LZ7
	927676MA1
	927676MB9

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Virgin Islands Public Finance Authority
Obligated Person(s):	Virgin Islands Public Finance Authority
Principal Amount & Name of Bond Issue:	$250,000,000 Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note – Diageo Project), Series 2009A
Date of Offering Document:	June 26, 2009
Date of Issuance:	July 9, 2009
Participating Underwriters:	J.P. Morgan, et al.
CUSIP Numbers:	927676NP7 927676NQ5 927676NR3 927676NS1

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Virgin Islands Public Finance Authority
Obligated Person(s):	Virgin Islands Public Finance Authority
Principal Amount & Name of Bond Issue:	$86,350,000 Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2009A-1 Bonds (Senior Lien/Capital Projects/Tax-Exempt) $8,650,000 Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2009A-2 Bonds (Senior Lien/Capital Projects/Federally Taxable) $266,330,000 Revenue Refunding Bonds (Virgin Islands Matching Fund Loan Note), Series 2009B Bonds (Senior Lien/Refunding) $97,510,000 Revenue Refunding Bonds (Virgin Islands Matching Fund Loan Note), Series 2009C Bonds (Subordinate Lien/Refunding)
Date of Offering Document:	October 1, 2009
Date of Issuance:	October 28, 2009
Participating Underwriters:	Citi, et al.

CUSIP Numbers:

Series 2009A-1	Series 2009A-2	Series 2009B	Series 2009C
927676NT9	927676QF6	927676PH3	927676PU4
927676NU6	927676QG4	927676PJ9	927676PV2
927676NV4		927676PK6	927676PW0
927676NW2		927676PL4	927676PX8
927676NX0		927676PM2	927676PY6
927676NY8		927676PN0	927676PZ3
927676NZ5		927676PP5	927676QA7
927676PA8		927676PQ3	927676QB5
927676PB6		927676PR1	927676QC3
927676PC4		927676PS9	927676QD1
927676PD2		927676PT7	927676QE9
927676PE0			
927676PF7			
927676PG5			

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Virgin Islands Public Finance Authority
Obligated Person(s):	Virgin Islands Public Finance Authority
Principal Amount & Name of Bond Issue:	$39,190,000 Subordinated Revenue Bonds (Virgin Islands Matching Fund Loan Note – Cruzan Project), Series 2009A
Date of Offering Document:	December 8, 2009
Date of Issuance:	December 17, 2009
Participating Underwriters:	Citi, et al.
CUSIP Numbers:	927676QH2 927676QJ8 927676QK5 927676QL3 927676QM1 927676QN9 927676QP4 927676QQ2 927676QR0 927676QS8 927676QT6

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Virgin Islands Public Finance Authority
Obligated Person(s):	Virgin Islands Public Finance Authority
Principal Amount & Name of Bond Issue:	$305,000,000 Virgin Islands Public Finance Authority Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2010A (Senior Lien/Working Capital) $94,050,0000 Virgin Islands Public Finance Authority Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2010B (Subordinate Lien/Working Capital)
Date of Offering Document:	July 8, 2010
Date of Issuance:	July 15, 2010
Participating Underwriters:	Jefferies LLC, et al.

CUSIP Numbers:

Series 2010A	Series 2010B
927676QW9	927676RF5
927676QX7	927676RE8
927676QY5	927676RD0
927676QZ2	
927676RA6	
927676RB4	
927676RC2	
927676QU3	
927676QV1	

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Virgin Islands Public Finance Authority
Obligated Persons:	Virgin Islands Public Finance Authority
Principal Amount & Name of Bond Issue:	$142,640,000 Virgin Islands Public Finance Authority Revenue Bonds (Virgin Islands Matching Fund Loan Bonds), Series 2012A (Working Capital)
Date of Offering Document:	September 7, 2012
Date of Issuance:	September 13, 2012
Participating Underwriters:	Jefferies LLC and Bostonia Global Securities LLC
CUSIP Numbers:	927676RH1 927676RJ7 927676RK4

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer:	Virgin Islands Public Finance Authority
Obligated Persons:	Virgin Islands Public Finance Authority
Principal Amount & Name of Bond Issue:	$36,000,000 Virgin Islands Public Finance Authority Revenue Refunding Bonds (Virgin Islands Matching Fund Loan Note), Series 2013A (Senior Lien)
Date of Offering Document:	September 10, 2013
Date of Issuance:	September 19, 2013
Participating Underwriters:	Jefferies LLC and Bostonia Global Securities LLC
CUSIP Numbers:	927676SG2 927676SH0 927676SJ6

EXHIBIT B

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL/QUARTERLY REPORT

Name of Issuer Virgin Islands Public Finance Authority

Name of Bond Issue: _____

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual/Quarterly Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of September 1, 2013, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual/Quarterly Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the Issuer

cc: Issuer
Obligated Person(s)

EXHIBIT C

EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D) and the State Depository, if any, pursuant to the laws of the United States Virgin Islands.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

Number of pages of attached material event notice: _____

Description of Material Event Notice (Check One):

"Event" means any one of the following events with respect to the Bonds:

1. ___ Principal and interest payment delinquencies;
2. ___ Unscheduled draws on debt service reserves reflecting financial difficulties;
3. ___ Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
4. ___ Substitution of credit or liquidity providers, or their failure to perform;
5. ___ Adverse tax opinions or issuance by the IRS of proposed or final determination of taxability or of a Notice or Proposed Issue;
6. ___ Tender Offers;
7. ___ Defeasances;
8. ___ Rating Changes
9. ___ Bankruptcy, insolvency, receivership or similar event of the obligated person;
10. ___ Unless described in 7(e), other material notices or determinations by the IRS with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds
11. ___ Modifications to rights of Bond Holders;
12. ___ Optional, unscheduled or contingent Bond calls, if material;;
13. ___ Release, substitution, or sale of property securing repayment of the Bonds, if material;
14. ___ Non-payment related defaults, if material;
15. ___ Consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligation person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relation to any such actions, other than pursuant to its terms;
16. ___ Appointment of a successor or additional trustee or the change of name of a trustee;
17. ___ Failure to provide annual or quarterly financial information as required; and
18. ___ Other material event notice (specify) _____.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Employer: Digital Assurance Certification, L.L.C.

Address: _____

City, State, Zip Code: _____

Voice Telephone Number: _____

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APPENDIX H

PRIOR BONDS

Series	Maturity	Coupon	Refunded Par	Redemption Date	Redemption Price	CUSIP
Series 2004A	10/1/2013	5.00%	4,195,000	10/1/2013	100.0	927676LQ7
Series 2004A	10/1/2017	5.25%	5,120,000	10/1/2014	100.0	927676LU8
Series 2004A	10/1/2018	5.25%	5,390,000	10/1/2014	100.0	927676LV6
Subtotal			$ 14,705,000			
Series 2009A-1	10/1/2013	3.00%	1,600,000	10/1/2013	100.0	927676NW2
Subtotal			$ 1,600,000			
Series 2009B	10/1/2013	5.00%	16,740,000	10/1/2013	100.0	927676PL4
Subtotal			$ 16,740,000			
TOTAL			**$ 33,045,000**			

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APPENDIX I

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

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

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

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

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

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

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

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

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

Form 500NY (5/90)

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