

LIMITED OFFERING MEMORANDUM

NEW ISSUE — BOOK-ENTRY-ONLY

Rating: See “RATING” 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 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 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 Bonds is exempt from personal income tax imposed by the Virgin Islands or by any state, territory, or possession by any political subdivision thereof or by the District of Columbia. See “TAX MATTERS” herein regarding certain other tax consideration.



\$89,880,000

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Grant Anticipation Revenue Bonds
(Federal Highway Grant Anticipation Revenue Loan Note),
Series 2015



Dated: Date of Delivery

Due: As shown on the inside cover page

Defined Terms

All capitalized terms that are not otherwise defined on this cover page have the meanings provided to such terms in this Limited Offering Memorandum.

Issuer

The Virgin Islands Public Finance Authority (the “Authority”) is issuing the above-referenced bonds (the “Bonds”).

Authorization

The Bonds are being issued pursuant to (i) the Act, (ii) the Resolution, and (iii) the Indenture.

Purpose

The Bonds are being issued by the Authority to (i) finance all or a portion of the costs of the Approved Projects, (ii) fund the amount necessary to meet the Debt Service Reserve Requirement for the Bonds, and (iii) pay the costs of issuance of the Bonds. See “SOURCES AND USES OF FUNDS” herein.

Security

The following is qualified in all respects by the information in this Limited Offering Memorandum under the captions “DESCRIPTION OF THE BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” and the documents referenced under such captions.

The Bonds are special, limited obligations of the Authority payable solely from, and secured by a lien on and security interest in, the Trust Estate, subject only to the provisions of the Indenture. Pursuant to the Loan Agreement, the proceeds of the Bonds will be used to make a loan to the Government of the United States Virgin Islands (the “Government”). Such loan will be evidenced by the Loan Note, which is a special, limited obligation of the Government.

The Bonds are not general obligations of the Authority, the United States Virgin Islands, or the United States of America. The Bonds are not evidence of a debt of the United States of America or the United States Virgin Islands and neither the United States of America nor the United States Virgin Islands are liable thereon. The taxing power of the Government is not pledged to the Loan Note or the Bonds. The Authority has no taxing power.

Redemption

The Bonds are subject to redemption prior to maturity, as described herein. See “THE BONDS – Redemption” herein.

Plan of Distribution

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

Additional Bonds

The Indenture does not permit the issuance of additional new money bonds. Refunding bonds may be issued in accordance with the provisions of the Indenture and pursuant to a Supplemental Indenture. In addition, the Indenture provides that the Authority may issue bonds, notes, or other evidences of indebtedness with a subordinate lien on and security interest in the Trust Estate. Any such subordinate indebtedness would be issued pursuant to a separate indenture of trust.

Interest Payment Dates

Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing on March 1, 2016.

Authorized Denominations

The Bonds are issuable in minimum denominations of \$100,000 and integral multiples of \$5,000 in excess thereof.

Risk Factors

The purchase and ownership of the Bonds involve certain investment risks. See “CERTAIN BONDHOLDER RISKS.” The information contained on the cover of this Limited Offering Memorandum is a summary only. Prospective purchasers of the Bonds are advised to read this Limited Offering Memorandum in its entirety.

Rating

Standard & Poor’s Ratings Services has assigned the Bonds a rating of “A” (with a stable outlook). See “RATING” herein.

Tax Status

For information on the tax status of the Bonds, see the italicized language at the top of this cover page and “TAX MATTERS” herein.

Delivery Date

It is expected that the Bonds will be available for delivery to DTC on or about December 15, 2015.

The 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, Yvette C. Ross-Edwards, P.C., St. Croix, 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 Bonds from one or more purchasers, as described herein.

Jefferies

Bostonia Global Securities LLC

December 8, 2015

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

\$89,880,000
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Grant Anticipation Revenue Bonds
(Federal Highway Grant Anticipation Revenue Loan Note),
Series 2015

Serial Bonds

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP</u>
2016	\$4,465,000	3.000%	101.441%	0.960%	927676TZ9
2017	\$3,335,000	4.000%	104.448%	1.360%	927676UA2
2018	\$3,470,000	5.000%	108.899%	1.630%	927676UB0
2019	\$3,645,000	5.000%	111.282%	1.840%	927676UC8
2020	\$3,825,000	5.000%	113.132%	2.060%	927676UD6
2021	\$4,015,000	5.000%	114.484%	2.280%	927676UH7
2022	\$4,220,000	5.000%	115.688%	2.450%	927676UJ3
2023	\$4,430,000	5.000%	116.515%	2.620%	927676UK0
2024	\$4,650,000	5.000%	117.404%	2.740%	927676UL8
2025	\$4,880,000	5.000%	118.122%	2.850%	927676UE4

Term Bonds

\$28,320,000 5.000% Term Bond due September 1, 2030; Price 113.576%*; Yield 3.350%*; CUSIP 927676UF1

\$20,625,000 5.000% Term Bond due September 1, 2033; Price 112.254%*; Yield 3.500%*; CUSIP 927676UG9

* Price and yield to the first call date of September 1, 2025, which call is at par.

† CUSIP is a registered trademark of the American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Capital IQ, a division of McGraw Hill Financial, Inc. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Bonds only at the time of issuance of the Bonds and the Authority, the Trustee, Jefferies, and Bostonia do not make any representation with respect to such CUSIP numbers or undertake any responsibility for their accuracy now or at any time in the future. None of the Authority, the Trustee, Jefferies, or Bostonia assumes no responsibility for the accuracy of such numbers, nor is any representation made as to their correctness on the Bonds or as indicated above.

VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

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St. Thomas, United States Virgin Islands 00802
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Valdamier O. Collens, Director of Finance and Administration

BOARD OF DIRECTORS

The Honorable Kenneth E. Mapp, Governor – Chairman (*ex-officio*)
Valdamier O. Collens, Commissioner of Finance – Executive Director (*ex-officio*)
Nellon L. Bowry, Director of the Office of Management and Budget (*ex-officio*)
Keith C. O’Neale, Jr. – St. Croix Representative – Secretary
Pablo O’Neill – St. Croix Representative*

TRUSTEE, BOND REGISTRAR, AND PAYING AGENT

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

BOND COUNSEL AND DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP

FINANCIAL ADVISOR

Standard International Group, Inc.
New York, New York

* While Mr. O’Neill’s term has expired, he continues to serve on the Board until a successor is appointed.

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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 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, and other sources which are believed to be reliable, based primarily on a review of such information and discussions with representatives of the Government and the Authority. 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 Bonds is made only by means of this entire Limited Offering Memorandum.

The statements contained in this Limited Offering Memorandum and the Appendices hereto and in any other information provided by the Authority, the Government, Jefferies, Bostonia, 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 Bonds.

Jefferies and Bostonia have reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, their 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.

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.

Summary of the Offering

The following summary is subject in all respects to more complete information contained elsewhere in this Limited Offering Memorandum. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the body of the Limited Offering Memorandum or APPENDIX B, as applicable.

- Issuer:** Virgin Islands Public Finance Authority (the “Authority”).
- Issue:** \$89,880,000 Virgin Islands Public Finance Authority Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2015 (the “Bonds”).
- Purpose:** The Bonds are being issued by the Authority to (i) finance all or a portion of the costs of the Approved Projects, (ii) fund the amount necessary to meet the Debt Service Reserve Requirement for the Bonds, and (iii) pay the costs of issuance of the Bonds.
- Dated Date:** Date of Delivery.
- Authorization:** The Bonds are being issued pursuant to (i) the Revised Organic Act of 1954, the Virgin Islands Code, the Federal Highway Grant Anticipation Bond Act, and other applicable law, as the same may be amended from time to time, (ii) the Resolution, and (iii) the Indenture.
- Denominations:** The Bonds are issuable in minimum denominations of \$100,000 and integral multiples of \$5,000 in excess thereof.
- Interest:** The Bonds will bear interest at the rates set forth on the inside cover page hereof payable on each March 1 and September 1, commencing on March 1, 2016.
- Maturity:** September 1, as shown on the inside cover page.
- Redemption:** The Bonds are subject to redemption prior to maturity as described under “THE BONDS – Redemption” herein.
- Security:** The Bonds are special, limited obligations of the Authority payable solely from, and secured by a lien on and security interest in, the Trust Estate, which includes, among other things, all rights and interests of the Authority in, under and to (i) the Federal Highway Grant Revenues, (ii) subject to the limitations set forth in the Indenture, the Transportation Trust Fund (or TTF) and the Pledged Transportation Trust Fund Revenues, (iii) the amounts on deposit in certain funds and accounts created under the Indenture, including the Debt Service Reserve Fund, and (iv) the Loan Agreement and the Loan Note.

Pursuant to the Loan Agreement, (i) the proceeds of the Bonds will be used to make a loan to the Government, (ii) the

Government will apply, or cause the Authority to apply, the proceeds of the Bonds in accordance with the terms of the Indenture, and (iii) the loan will be evidenced by the Loan Note, which is a special limited obligation of the Government.

The Indenture provides that the lien on and security interest in the Pledged Transportation Trust Fund Revenues is only available as security for the Bonds to replenish the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement. For information on the Intercept Policy that provides the mechanism to capture and transfer such revenues to the Trustee, see “TRANSPORTATION TRUST FUND – General.”

The Indenture also provides that upon satisfaction of certain conditions, the lien on and security interest in the Pledged Transportation Trust Fund Revenues and the Intercept Policy terminate. See “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Debt Service Reserve Fund.”

Additional Bonds:

The Indenture does not permit the issuance of additional new money bonds. Refunding bonds may be issued in accordance with the provisions of the Indenture and pursuant to a Supplemental Indenture. In addition, the Indenture provides that the Authority may issue bonds, notes, or other evidences of indebtedness with a subordinate lien on and security interest in the Trust Estate. Any such subordinate indebtedness would be issued pursuant to a separate indenture of trust.

Memorandum of Understanding:

The Federal Highway Administration’s Puerto Rico Division (“FHWA-PR”) and the Government, through the Virgin Islands Department of Public Works and the Authority, have entered into a Memorandum of Understanding, dated as of December 9, 2015, as the same may be amended or substituted from time to time (the “Memorandum of Understanding”), which documents the procedures, roles, and responsibilities for (i) programming and authorizing the Approved Projects, (ii) supervising the construction of the Approved Projects, (iii) paying debt service on the Bonds and other Bond Related Charges, and (iv) establishing the funding, transfer, and disbursement process for the proceeds of the Bonds, among other things. As set forth in the Memorandum of Understanding, so long as the Bonds are outstanding, including any refunding bonds issued under the Indenture, any debt obligations for the Approved Projects are eligible for reimbursement by FHWA-PR. For more information on the Memorandum of Understanding, see “DESCRIPTION OF THE BONDS – Memorandum of Understanding.”

Rating:

Standard & Poor’s Ratings Services has assigned the Bonds a rating of “A” (with a stable outlook).

TABLE OF CONTENTS

INTRODUCTION	1
General.....	1
Certain Definitions.....	1
CHANGES FROM THE PRELIMINARY LIMITED OFFERING MEMORANDUM	3
Multi-Year Authorization of the Federal-Aid Highway Program.....	3
Update on the HOVENSA Facilities	3
DESCRIPTION OF THE BONDS	4
General.....	4
Purpose of the Issue	4
Security for the Bonds	4
MEMORANDUM OF UNDERSTANDING	5
PLAN OF DISTRIBUTION OF THE BONDS.....	7
Purchaser Representations	7
Other Limited Offering Information	8
Potential Elimination of Transfer and Resale Restrictions	8
UNITED STATES VIRGIN ISLANDS	10
VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY	11
Purposes and Powers	11
Management	11
THE BONDS	12
General.....	12
Book-Entry-Only System	12
Redemption.....	13
Redemption Selection Procedures	13
Notice of Redemption.....	14
SECURITY AND SOURCE OF PAYMENT FOR THE BONDS	15
The Bonds.....	15
The Loan Agreement and Loan Note.....	15
Creation of Funds and Accounts.....	17
Flow of Funds	17
Debt Service Reserve Fund.....	18
Additional Bonds	19
Flow of Funds Chart	20
SOURCES AND USES OF FUNDS	21
PROJECTED DEBT SERVICE COVERAGE.....	22
GENERAL OVERVIEW OF THE FEDERAL-AID HIGHWAY PROGRAM	23
General.....	23
Authorization of the Federal-Aid Highway Program.....	24
PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM.....	25
VIRGIN ISLANDS DEPARTMENT OF PUBLIC WORKS	26
Management	26
Operations.....	26
TRANSPORTATION TRUST FUND	27
General.....	27
Highway Users' Tax	28
Motor Vehicle Registration Fees and Driver's License Fees.....	29
Traffic Law Violation Fines.....	29
Motor Fuel Taxes Not Included in TTF.....	30
Historical Pledged Transportation Trust Fund Revenues	30
THE APPROVED PROJECTS.....	31
CERTAIN BONDHOLDER RISKS	32
Transfer and Resale Restrictions	32

Security for the Bonds and Loan Note.....	32
Factors Affecting Federal Highway Grant Revenues	33
Federal Bankruptcy Code	34
Financial Condition of the Government.....	35
LITIGATION	36
INSPECTOR GENERAL AUDIT.....	36
TAX MATTERS.....	36
Opinion of Bond Counsel	36
Certain Ongoing Federal Tax Requirements and Covenants	37
Certain Collateral Federal Tax Consequences	37
Bond Premium	37
Information Reporting and Backup Withholding	38
Miscellaneous	38
FINANCIAL STATEMENTS	39
LEGAL OPINIONS.....	39
FINANCIAL ADVISOR	40
CONTINUING DISCLOSURE.....	40
Prior Continuing Disclosure Non-Compliance	40
Continuing Disclosure Agreement.....	40
RATING	40
BOND PURCHASE AGREEMENT.....	41
MISCELLANEOUS	42

APPENDICES

APPENDIX A - The Federal-Aid Highway Program	A-1
APPENDIX B - Glossary of Certain Defined Terms.....	B-1
APPENDIX C - Summary of Certain Provisions of the Indenture	C-1
APPENDIX D - Summary of Certain Provisions of the Loan Agreement	D-1
APPENDIX E - Form of Opinion of Bond Counsel.....	E-1
APPENDIX F - Book-Entry-Only System	F-1
APPENDIX G - Form of Continuing Disclosure Agreement	G-1

LIMITED OFFERING MEMORANDUM

\$89,880,000

**VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY
Grant Anticipation Revenue Bonds
(Federal Highway Grant Anticipation Revenue Loan Note),
Series 2015**

INTRODUCTION

General

The Virgin Islands Public Finance Authority (the "Authority") has prepared this Limited Offering Memorandum in connection with the offering and sale of its \$89,880,000 Virgin Islands Public Finance Authority Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2015 (the "Bonds").

This Limited Offering Memorandum consists of the cover page, inside cover page, the summary pages, 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 Bonds may not be suitable for all investors. Prospective purchasers of the 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 herein) 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).

Certain Definitions

All capitalized terms not defined in the body of this Limited Offering Memorandum have the meanings ascribed to them in APPENDIX B – "GLOSSARY OF CERTAIN DEFINED TERMS." Below are certain definitions used in this Limited Offering Memorandum.

"Approved Project" means any transportation project approved by (i) the Federal Highway Administration (as defined below) and deemed eligible for federal funding pursuant to the Federal Aid Legislation, and (ii) resolution of the Authority to be financed pursuant to the Indenture with the proceeds of Bonds. For more information on the Approved Projects, see "THE APPROVED PROJECTS" herein.

"Federal Aid Legislation" means, as applicable (i) Title 23 (as defined below), (ii) any extension of Title 23, or (iii) any successor to Title 23 authorizing federal funding of state highways.

"Federal Highway Administration" or "FHWA" means the United States Department of Transportation, Federal Highway Administration, its successors and assigns and any other agency or branch of the government of the United States which succeeds to the powers of FHWA, which term includes the United States Secretary of Transportation and any other appropriate officer of FHWA with authority to grant approvals or consents or to take other appropriate action as is necessary to approve the federal highway construction projects, federal grants to finance such projects and the payment of Debt

Service and other Bond Related Charges on the Bonds issued to finance such projects and to take such other action as is necessary for those purposes under the Federal Aid Legislation.

“Federal Highway Grant Revenues” means all revenues received or to be received by or on behalf of, or available to, the Government from the federal government of the United States that are legally available for the payment of the Debt Service and other Bond Related Charges and for the reimbursement of eligible costs related to an Approved Project, including those revenues available under the Federal Aid Legislation (as defined below) and other federal programs eligible to be deposited into the Pledged Revenue Fund (as defined herein).

“Pledged Transportation Trust Fund Revenues” means (i) all traffic violation fines imposed by the laws of the Virgin Islands; (ii) all highway users’ taxes collected in the Virgin Islands on automobiles and trucks under the provisions of V.I. Code Ann., Title 33, Chapter 4 (West 1987); and (iii) all driver’s license fees and motor vehicle registration fees collected in the Virgin Islands under the provisions of V.I. Code Ann., Title 20, Chapter 39 (West 1987), which are required to be deposited in the Transportation Trust Fund pursuant to Title 33, Chapter 111, Section 3003a of the Virgin Islands Code and may be used to replenish deficiencies in the Debt Service Reserve Fund, subject to the provisions of the Indenture.

“Revenues” means the (i) Federal Highway Grant Revenues, (ii) Pledged Transportation Trust Fund Revenues deposited in the Pledged Revenue Fund to maintain the Debt Service Reserve Requirement, (iii) any proceeds and collections from the Loan Note deposited in the Pledged Revenue Fund, including any investment earnings thereon, and (iv) any proceeds that arise with respect to the disposition of all or a portion of the Trust Estate.

“Title 23” means Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented.

“Transportation Trust Fund” or “TTF” means the special fund held by the Commissioner of Finance, on behalf of the Government, separate and apart from all other funds and monies held by the Government into which Pledged Transportation Trust Fund Revenues are deposited.

CHANGES FROM THE PRELIMINARY LIMITED OFFERING MEMORANDUM

The Preliminary Limited Offering Memorandum for the Bonds was dated November 25, 2015 (the "Preliminary Limited Offering Memorandum"). In addition to updating the Preliminary Limited Offering Memorandum with the pricing information for the Bonds, including the interest rates, maturities, redemption provisions, and the Projected Debt Service Coverage table, the Authority has identified certain events that have occurred since the date of the Preliminary Limited Offering Memorandum. Such events are described below.

Multi-Year Authorization of the Federal-Aid Highway Program

On December 4, 2015, Congress enacted the Fixing America's Surface Transportation Act (the "FAST Act"). The FAST Act is a \$305 billion, five-year federal transportation funding act that authorizes, among other things, the continued funding of the Federal-Aid Highway Program ("FAHP"). The FAST Act includes \$42 million each fiscal year for the Territorial Highway Program (as defined and described herein), which, based on the current distribution formula established by FHWA, would result in an annual allocation of approximately \$16.8 million for the Virgin Islands each fiscal year.

The FAST Act represents the first multi-year authorization of the FAHP since Moving Ahead for Progress in the 21st Century ("MAP-21"). MAP-21 was signed into law on July 6, 2012 and provided funding for the FAHP through September 30, 2014. Prior to enacting the FAST Act, Congress had passed five short-term authorizations to provide continued funding for the FAHP.

For information on the FAHP, see "GENERAL OVERVIEW OF THE FEDERAL-AID HIGHWAY PROGRAM" and APPENDIX A – "THE FEDERAL-AID HIGHWAY PROGRAM."

Update on the HOVENSA Facilities

On December 1, 2015, the United States District Court of the Virgin Islands, Bankruptcy Division, St. Croix, Virgin Islands, approved a purchase agreement (the "Purchase Agreement") for the sale of the HOVENSA oil refinery and related facilities (the "HOVENSA Facilities") located in St. Croix to ArcLight Capital Partners ("ArcLight"). The HOVENSA Facilities have been closed since 2012. Prior to such closure, HOVENSA L.L.C. was the largest employer in the Virgin Islands.

Also on December 1, 2015, the Government and Limetree Bay Terminals, LLC ("Limetree Bay"), a wholly-owned affiliate of ArcLight, executed an agreement pursuant to which Limetree Bay would operate the HOVENSA Facilities (the "Operating Agreement"). The Operating Agreement is subject to review and approval by the Legislature, which is expected to consider such agreement at a special session on December 17, 2015. One of the conditions to closing the sale of the HOVENSA Facilities is approval of the Operating Agreement by the Legislature. The Operating Agreement includes, among other things, (i) a \$220 million upfront payment to the Government from Limetree Bay, as well as up to \$15 million in other payments, and (ii) a commitment by Limetree Bay to employ a minimum of 80 full-time workers at the HOVENSA Facilities for the duration of the Operating Agreement.

If approved by the Legislature, the Operating Agreement could have a positive impact on the financial condition of the Government, including, among other things, reducing the Government's projected deficit of approximately \$98 million in fiscal year 2016. No assurances can be given that the Legislature will approve the Operating Agreement. Furthermore, it is uncertain at this time how or for what purpose any payments received in connection with the Operating Agreement will be used by the Government. For more information on the financial condition of the Government, see "CERTAIN BONDHOLDER RISKS – Financial Condition of the Government."

DESCRIPTION OF THE BONDS

General

The Bonds are being issued pursuant to (i) the Virgin Islands Revised Organic Act of 1954, as amended, 48 U.S.C. 1574-1574c (West 1987) (the “Revised Organic Act of 1954”), the laws of the Virgin Islands including Title 29, Chapter 15 of the Virgin Islands Code, 2015 V.I. Act 7754 (the “Federal Highway Grant Anticipation Bond Act”), and other applicable law, as the same may be amended from time to time (collectively, with the Revised Organic Act of 1954 and the Federal Highway Grant Anticipation Bond Act, the “Act”), (ii) Resolution No. 15-034, adopted by the Authority on November 25, 2015 (the “Resolution”), and (iii) the Indenture of Trust, dated as of December 1, 2015, as may from time to time be amended or supplemented in accordance with the terms thereof (the “Indenture”), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, designated as trustee under the Indenture, and its successor or successors appointed in the manner provided in the Indenture (the “Trustee”). The Trustee is located in Jacksonville, Florida, and also will act as Bond Registrar and Paying Agent for the Bonds.

Purpose of the Issue

The Bonds are being issued by the Authority to (i) finance all or a portion of the costs of the Approved Projects, (ii) fund the amount necessary to meet the Debt Service Reserve Requirement (as defined herein) for the Bonds, and (iii) pay the costs of issuance of the Bonds. See “SOURCES AND USES OF FUNDS.”

Security for the Bonds

The Bonds are special, limited obligations of the Authority payable solely from, and secured by a lien on and security interest in, the Trust Estate, which includes, among other things, all rights and interests of the Authority in, under and to (i) the Federal Highway Grant Revenues, (ii) subject to the limitations set forth in the Indenture, the Transportation Trust Fund (or TTF) and the Pledged Transportation Trust Fund Revenues, (iii) the amounts on deposit in certain funds and accounts created under the Indenture, including the Debt Service Reserve Fund, and (iv) the Loan Agreement and the Loan Note (each as defined herein). For more information on the security for the Bonds, see “SECURITY AND SOURCE OF PAYMENT FOR THE BONDS.”

MEMORANDUM OF UNDERSTANDING

The FHWA's Puerto Rico Division ("FHWA-PR") and the Government of the United States Virgin Islands (the "Government"), through the Virgin Islands Department of Public Works (the "VIDPW") and the Authority, have entered into a Memorandum of Understanding, dated as of December 9, 2015, as the same may be amended or substituted from time to time (the "Memorandum of Understanding"), which documents the procedures, roles, and responsibilities for (i) programming and authorizing the Approved Projects, (ii) supervising the construction of the Approved Projects, (iii) paying debt service on the Bonds and other Bond Related Charges, and (iv) establishing the funding, transfer, and disbursement process for the proceeds of the Bonds, among other things.

Prospective purchasers of the Bonds should note that the Trustee is not a party to the Memorandum of Understanding and that Owners of the Bonds will not have any rights to enforce the duties, obligations, and responsibilities of the parties thereto. Also, if there are any conflicts between the Memorandum of Understanding and the Indenture, the Indenture will control in all events.

The federal legal authority that enables (i) the reimbursement of eligible debt service costs, (ii) the funding of the Debt Service Reserve Fund with proceeds of the Bonds, (iii) the reimbursement of the costs of issuance of the Bonds, and (iv) the reimbursement of certain other costs related to the Bonds is set forth in Section 122 of Chapter 1 of Title 23. The Authority's legal authority to issue the Bonds is provided for in the Act and the Resolution.

As set forth in the Memorandum of Understanding, so long as the Bonds are outstanding, including any refunding bonds issued under the Indenture, any debt obligations for the Approved Projects are eligible for reimbursement by FHWA-PR. The Government has acknowledged in the Memorandum of Understanding that under Title 23, the eligibility of the Bonds for federal-aid reimbursement does not constitute a commitment, guarantee, or obligation on the part of the United States to provide for a payment of principal or interest on the Bonds, nor create a right of a third party against the United States for payment of the Bonds. Pursuant to the Memorandum of Understanding, to the extent that the Government has available contract authority and Obligation Authority (as defined herein) when a debt service payment is due, FHWA has agreed to convert, obligate, and expend federal aid funds for payments on the Bonds consistent with the procedures set forth in Title 23 and the regulations related thereto as a cost incurred thereunder.

Pursuant to the Memorandum of Understanding, at the beginning of each fiscal year and as soon as Obligation Authority under the Federal-Aid Highway Program ("FAHP") is available, VIDPW has agreed to request that FHWA convert advance construction funding authorization into current funding authorization (a "Funding Authorization Request") for the scheduled amounts of debt service due on the Bonds. Within ten (10) Business Days of receipt of the Funding Authorization Request, FHWA-PR has agreed, subject to the availability of federal funding and Obligation Authority, to obligate the funding for the scheduled amounts of debt service due on the Bonds and notify VIDPW and the Authority in writing of such action.

The Memorandum of Understanding provides that (i) VIDPW is required to use the federal aid current billing system to bill FHWA-PR for the amount of the next succeeding debt service payment prior to each Interest Payment Date or Principal Payment Date, as applicable (each as defined herein), (ii) such bills are to be delivered to FHWA-PR fourteen (14) Business Days prior to each Interest Payment Date or Principal Payment Date, as applicable, but no later than eight (8) Business Days before each such date, so as to ensure sufficient funds are received from the United States Department of the Treasury (the "U.S. Treasury") through FHWA-PR to satisfy the debt service payment, and (iii) FHWA-PR has agreed to take

steps to ensure that its payments are received by the Trustee no later than three (3) Business Days prior to each Interest Payment Date or Principal Payment Date, as applicable.

Table 1. Key Responsibilities of the Parties to the Memorandum of Understanding

FHWA-PR	<ul style="list-style-type: none"> • Maintain responsibility for the annual authorization of federal funds to convert the previously approved advance construction funding authority as permitted by and in accordance with the FAHP; and • Periodically process voucher forms for debt service payments on the Bonds, funding and replenishing the Debt Service Reserve Fund and other Bond Related Charges.
VIDPW	<ul style="list-style-type: none"> • Ensure compliance with the Memorandum of Understanding; and • Serve as primary local agency for project planning and development, including periodic inspection of the Approved Projects.
Authority	<ul style="list-style-type: none"> • Issue the Bonds and maintain responsibility for administration of Bond proceeds; and • Review and approve certain documents and forms related to the Approved Projects, including all requisitions, invoices, change orders, FHWA forms approved by FHWA-PR and VIDPW, and transmit such documents to the Trustee within five (5) days of receipt.

For information on the FAHP, see “GENERAL OVERVIEW OF THE FEDERAL-AID HIGHWAY PROGRAM” and APPENDIX A – “THE FEDERAL-AID HIGHWAY PROGRAM.”

PLAN OF DISTRIBUTION OF THE BONDS

Purchaser Representations

Each purchaser, by placing an order for the purchase of the 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 Bonds to each purchaser is made in reliance thereon:

(i) Each purchaser of the Bonds has confirmed that the 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 Bonds. By purchasing the 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 Bonds.

(ii) Each purchaser of the Bonds has confirmed its understanding that the offering of the 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 Bonds, each investment company member may 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 may (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 the participating underwriter (or, with respect to the Bonds, Jefferies and Bostonia) reasonably believes (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 Bonds will be restricted to a Qualified Buyer until such time as the transfer and resale restrictions described herein are eliminated. See "— Potential Elimination of Transfer and Resale Restrictions."

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

(v) Each purchaser of the Bonds has confirmed that at the time such purchaser was offered the Bonds, it was, and on the date it purchases the 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 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 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 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 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 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 December 15, 2015. See "THE BONDS – Book-Entry-Only System."

There can be no assurance that a secondary market for the Bonds will develop or, if it does develop, that it will continue or that the prices at which the 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.

Potential Elimination of Transfer and Resale Restrictions

Pursuant to the Bond Purchase Agreement (as defined herein), the Authority and the Government will advise Jefferies, or another qualified broker-dealer, in writing 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 the Federal Highway Grant Revenues and the Pledged Transportation Trust Fund Revenues, the transfer and resale restrictions on the 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 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 last five years, the Government and the Authority have not satisfied the provisions of their continuing disclosure agreements

to provide audited financial statements by the stated deadline in such agreements. For more information on the filing dates of the audited financial statements of the Government and the Authority for fiscal years 2010-2014, see Table 2.

On April 17, 2015, BDO USA, LLP was selected as the Government's auditor for fiscal years 2014-2016, following the solicitation of proposals to provide such services. The fiscal year 2014 audited financial statements were prepared by BDO USA, LLP and filed with EMMA on September 30, 2015, as shown in Table 2.

The 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 second preceding paragraph.

Table 2. Audited Financial Statements – Continuing Disclosure Filings

GOVERNMENT			
Fiscal Year Ended Sept. 30,	Filing Deadline (270 days)	Date Filed	Period after Filing Deadline
2010	June 27, 2011	November 30, 2012	17 months
2011	June 26, 2012	July 16, 2013	13 months
2012	June 27, 2013	February 14, 2014	8 months
2013	June 27, 2014	June 30, 2014	3 days
2014	June 27, 2015	September 30, 2015	3 months
AUTHORITY			
Fiscal Year Ended Sept. 30,	Filing Deadline (270 days)	Date Filed	Period after Filing Deadline
2010	June 27, 2011	October 4, 2011	3 months
2011	June 26, 2012	June 3, 2013	11 months
2012	June 27, 2013	May 14, 2014	11 months
2013	June 27, 2014	August 20, 2014	2 months
2014	June 27, 2015	June 30, 2015	3 days

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 of 1954, 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 Kenneth E. Mapp, and the current Lieutenant Governor is the Honorable Osbert E. Potter, both of whom were sworn into office on January 6, 2015. Pursuant to the Virgin Islands Code, no person who has been elected Governor for two full successive terms may be again eligible to hold that office until one full term has intervened.

Judicial power is vested in the Superior Court of the Virgin Islands (the "Superior Court") and the Supreme Court of the Virgin Islands (the "USVI Supreme Court"), 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 federal District Court of the United States. The USVI Supreme Court has appellate jurisdiction over the Superior Court. Appeals of the decisions of the USVI Supreme Court are heard by the United States Supreme Court by writ of certiorari. The United States Court of Appeals for the Third Circuit has appellate jurisdiction over the District Court and its appellate division. The USVI 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 the United States Congress ("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 of 1954, 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 (the "House of Representatives"). Such delegate is elected by popular vote on a biannual basis. Pursuant to a rule of the House of Representatives, the delegate may vote in legislative committees and participate in floor debate, but may not vote on the floor of the House of Representatives. The current delegate of the Virgin Islands to the House of Representatives is Stacey Plaskett.

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 effectively 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 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. Mr. Keith C. O'Neale, Jr. 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, 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 3. The Authority's Board

Name	Government Post or Profession/Residency	Term Expiration
The Honorable Kenneth E. Mapp, Chairman	Governor of the Virgin Islands	<i>Ex-officio</i> *
Valdamier O. Collens, Executive Director	Commissioner of Finance	<i>Ex-officio</i> **
Nellon L. Bowry	Director of the Office of Management and Budget	<i>Ex-officio</i> **
Keith C. O'Neale, Jr., Secretary	Business Owner, St. Croix	May 6, 2018
Pablo O'Neill	Certified Public Accountant, St. Croix	***

* The Governor was sworn into office on January 6, 2015 for a four-year term.

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

*** While Mr. O'Neill's term has expired, he continues to serve on the Board until a successor is appointed.

Valdamier O. Collens also serves as the Director of Finance and Administration, which is the senior management position of the Authority, and is responsible for the administration and operation of the Authority. The Director of Finance and Administration is appointed by, and serves at the pleasure of, the Board.

THE BONDS

General

The 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 Bonds will be payable on March 1 and September 1, commencing on March 1, 2016 (each an "Interest Payment Date"). Each September 1 commencing on September 1, 2016, through and including the maturity date for the Bonds, will be a "Principal Payment Date." The 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 and Paying Agent for the Bonds. Interest on the Bonds is to be calculated on the basis of a 360-day year consisting of twelve 30-day months. All interest determinations and calculations are required, pursuant to the Indenture, to be made by the Trustee. Interest is required, pursuant to the Indenture, to be paid on each Interest Payment Date to the person in whose name the Bond is registered on the Bond Register, and in each case at the address appearing thereon at the close of business on the Record Date (as defined below). The 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, the fifteenth day (or if such day is not 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 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, and will be deposited with DTC. For more information regarding the book-entry-only system, see APPENDIX F – "BOOK-ENTRY-ONLY SYSTEM."

Redemption

Optional Redemption. The Bonds maturing on or after September 1, 2026, are subject to optional redemption by the Authority on or after September 1, 2025, in whole or in part at any time, from such maturities as directed by the Authorized Representative of the Authority, from any moneys that may be available for such purpose, at a redemption price of 100% of the principal amount thereof plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2030, are required to be redeemed prior to maturity on September 1, in the years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
2026	\$5,125,000
2027	\$5,380,000
2028	\$5,650,000
2029	\$5,935,000
2030 [†]	\$6,230,000

[†]Final maturity.

The Bonds maturing on September 1, 2033, are required to be redeemed prior to maturity on September 1, in the years and amounts upon payment of 100% of the principal amount thereof plus interest accrued to the redemption date, as follows:

<u>Year</u>	<u>Amount</u>
2031	\$6,540,000
2032	\$6,870,000
2033 [†]	\$7,215,000

[†]Final maturity.

Redemption Selection Procedures

Pursuant to the Indenture, the Bonds are required to be redeemed pro-rata following the procedures of DTC as a pro-rata pass-through distribution of principal (as described below), or if DTC procedures do not allow for pro-rata pass-through distribution of principal, the Bonds to be redeemed are required to be selected on a pro-rata basis; provided that, so long as such Bonds are registered in the book-entry-only system, the selection for redemption of such Bonds will be made in accordance with the operational arrangements of DTC then in effect.

In connection with any repayment of principal of the 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 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 Bonds of the maturity to be redeemed.

If less than all of the Bonds of a given maturity are called for prior redemption, the Trustee is required, pursuant to the Indenture, to select on a pro-rata basis among the holders of the outstanding Bonds of such maturity by application of a fraction where the numerator is the principal amount of the Bonds of such maturity held by the holder and the denominator is the principal amount of all the Bonds of such maturity then outstanding; provided, however, that if for a holder of 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 Registrar 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 Bond is redeemed prior to maturity or purchased and cancelled by the Authority, the Trustee is required, pursuant to the Indenture, to cancel the principal amount of such Bond redeemed and credit pro-rata against the unsatisfied balance of future sinking fund installments and final maturity amount established with respect to such Bond.

Notice of Redemption

Pursuant to the Indenture, when the Trustee receives notice from the Authorized Officer of the Authority of its election or direction to redeem the Bonds, and when redemption of the Bonds is required or authorized, the Trustee is required to give notice, in the name of the Authority, of the redemption of such Bonds, which notice is required to specify the 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 maturity are to be redeemed, the letters and numbers (including CUSIP numbers) or other distinguishing marks of such Bonds so to be redeemed. In the case of Bonds to be redeemed in part only, such notice is required to specify the respective portions of the principal amount thereof to be redeemed.

Notice of redemption is also required, pursuant to the Indenture, to state that on such date there will 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 will cease to accrue and be payable. Such notice is also required, pursuant to the Indenture, to be mailed by the Trustee by first class mail, postage prepaid, not more than 60 days nor less than 30 days before the redemption date, to each of the Owners of any 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 Owner of a Bond to receive, any such notice will 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 will not affect the validity of any proceedings for the redemption of any other Bond.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The Bonds

The Bonds are special, limited obligations of the Authority. The Bonds do not constitute a general obligation of the Authority, the Government, or the United States of America. The Bonds are not evidence of a debt of the United States of America or the United States Virgin Islands and neither the United States of America nor the United States Virgin Islands are liable thereon. The taxing power of the Government is not pledged to the Bonds. The Authority has no taxing power.

The Bonds are payable solely from, and secured by a lien on and security interest in, the Trust Estate, subject only to the provisions of the Indenture, which includes, principally, all right, title and interest of the Authority in, to and under, subject to the terms and conditions of the Indenture, (i) the Federal Highway Grant Revenues; (ii) subject to the limitations set forth in the Indenture, the Transportation Trust Fund and the Pledged Transportation Trust Fund Revenues as provided in the Indenture and described herein; (iii) the Loan Agreement and the Loan Note (each as defined below), and the proceeds and collections therefrom; (iv) amounts on deposit in the funds and accounts created pursuant to the Indenture; and (v) any property or security interest therein granted, bargained, sold, conveyed, transferred, mortgaged, pledged, and assigned as and for additional security in accordance with the terms of the Indenture.

As described more fully herein, the Indenture provides that the lien on and security interest in the Pledged Transportation Trust Fund Revenues is only available as security for the Bonds to replenish the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement. For information on the Intercept Policy that provides the mechanism to capture and transfer such revenues to the Trustee, see in "TRANSPORTATION TRUST FUND – General." The Indenture also provides that upon satisfaction of certain conditions, the lien on and security interest in the Pledged Transportation Trust Fund Revenues and the Intercept Policy terminate. See "– Debt Service Reserve Fund."

The Loan Agreement and Loan Note

Pursuant to the loan agreement, dated as of December 1, 2015, by and among the Authority, the Trustee, and the Government (the "Loan Agreement"), the Authority will lend to the Government the sum of \$89,880,000. The loan will be evidenced by a loan note issued to the Authority and the Trustee by the Government upon the delivery of the proceeds of the Bonds (the "Loan Note").

Under the Loan Agreement, the Loan Note is a special limited obligation of the Government. The revenues pledged to pay the Loan Note constitute all or a portion of the (i) Federal Highway Grant Revenues and (ii) only to the extent of any shortfall in the amount necessary to maintain the Debt Service Reserve Requirement, the Pledged Transportation Trust Fund Revenues. The Government has granted a first lien on and security interest in all Federal Highway Grant Revenues deposited into the Pledged Revenue Fund and, to the extent required to maintain the Debt Service Reserve Requirement, a security interest in all Pledged Transportation Trust Fund Revenues. The Loan Note is not a debt of the United States of America and the United States of America is not liable on the Loan Note. The taxing power of the Government is not pledged to the Loan Note.

Under the Loan Agreement, the Government has (i) pledged all Federal Highway Grant Revenues and, to the extent required to maintain the Debt Service Reserve Requirement, the Pledged Transportation Trust Fund Revenues and (ii) granted a first lien on and security interest in, and assigned to the Trustee,

its interest in the Federal Highway Grant Revenues and, to the extent legally available and only to maintain the Debt Service Reserve Requirement, a lien on and security interest in the Pledged Transportation Trust Fund Revenues, as security for the payment of the Loan Note and consented to the deposit of the Federal Highway Grant Revenues into the Pledged Revenue Fund held by the Trustee under the Indenture. Under the Loan Agreement, the Government has agreed that all of the rights accruing to or vested in the Government with respect to the Federal Highway Grant Revenues and the Pledged Transportation Trust Fund Revenues may be exercised, protected and enforced by the Trustee in accordance with the provisions of the Indenture and the Loan Agreement.

Pursuant to the Loan Agreement, the Loan Note will accrue interest from the date of issuance to the final maturity thereof and will be payable semiannually upon receipt of the Federal Highway Grant Revenues not later than the third Business Day preceding each March 1 and September 1, commencing on the third Business Day preceding March 1, 2016, and ending on the third Business Day preceding final maturity thereof. Interest on the Loan Note will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Loan Note may, at the option of the Government, be redeemed, in whole or in part, prior to maturity at the times, in the manner of and in the same maturities as any optional redemption of the Bonds and at a redemption price equal to the Bonds.

Pursuant to the Loan Agreement, the Government has agreed to pay, as additional amounts due on the Loan Note, (i) such amounts as are required to replenish any deficiency in the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement, (ii) all such other amounts which are required in order to provide sufficient funds for the transfer from the Pledged Revenue Fund to the other accounts established or to be established under the Indenture (other than the Interest Account and the Principal Account of the Debt Service Fund) at the times and in the amounts set forth in the Indenture, (iii) such amounts sufficient to pay premium, if any, on any Bonds when due, and (iv) such other amounts, if any, payable by the Authority under the Bonds or pursuant to the terms of the Indenture.

Pursuant to the Loan Agreement, the Government has covenanted, among other things, (i) to the extent permitted by law, defend, preserve and protect the first lien on and security interest in the Federal Highway Grant Revenues on deposit in the Pledged Revenue Fund and the pledge of the Pledged Transportation Trust Fund Revenues and all rights of the holders of the Loan Note against all claims and demands of all third parties and (ii) to observe and comply with the terms and conditions of and perform all of its obligations under the Memorandum of Understanding.

In furtherance of the pledge of and the grant of the first lien on and security interest in the Federal Highway Grant Revenues in the Loan Agreement, the Government has covenanted that it will request that the federal government of the United States deliver and take all steps necessary to ensure the receipt of and the maximization of the Federal Highway Grant Revenues for which the Government is eligible and the deposit of such funds in the Pledged Revenue Fund to the extent required under the Loan Agreement and in the Loan Note.

In the event that the federal government discontinues the payment of Federal Highway Grant Revenues to the Government and substitutes another stream of revenues in lieu thereof (the "Substitute Revenues"), the Government has covenanted that it will use its best efforts to grant a lien on and security interest in such Substitute Revenues to repayment of the Loan Note.

Pursuant to the Loan Agreement, in furtherance of the pledge of and the grant of the lien and security interest in the Pledged Transportation Trust Fund Revenues required to maintain the Debt Service

Reserve Requirement, the Trustee has agreed to notify the Government in writing of a deficiency in the Debt Service Reserve Fund, and upon such notification, the Government has covenanted to deposit the amount of Pledged Transportation Trust Fund Revenues required to maintain the Debt Service Reserve Requirement prior to obligating any Pledged Transportation Trust Fund Revenues for any other purpose. For information on the Intercept Policy (as defined herein) describing the mechanism to (i) capture Pledged Transportation Trust Fund Revenues and (ii) transfer such revenues to the Trustee to restore deficiencies in the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement, see in "TRANSPORTATION TRUST FUND – General."

Pursuant to the Loan Agreement, the Government has further covenanted, among other things, not to (i) issue any Bonds secured by the Federal Highway Grant Revenues other than in conformance with the terms of the Indenture, (ii) pledge the Revenues (as defined below) to any other bonds issued by the Authority or any other authority or entity issuing bonds for the benefit of the Government other than in conformance with the terms of the Indenture, (iii) take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest payable on the Bonds under the Code, (iv) 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 the Federal Highway Grant Revenues and the Pledged Transportation Trust Fund Revenues to which it may be entitled, (v) use the Federal Highway Grant Revenues for projects not authorized by the Federal Aid Legislation, or (vi) require any legislative appropriation for the transfer of any Pledged Transportation Trust Fund Revenues other than in conformance with the terms of the Indenture.

The Authority also has covenanted in the Loan Agreement to use its best efforts to cause the Government to comply with the terms and the covenants set forth in the Loan Agreement.

For more information on the Loan Agreement and Loan Note, see APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT."

Creation of Funds and Accounts

Under the Indenture, the Authority will establish the following funds to be held by the Trustee: (i) the Federal Transportation and Highway Grant Escrow Account (the "Pledged Revenue Fund"), (ii) the Debt Service Fund, (iii) the Debt Service Reserve Fund, (iv) the Construction Fund (which includes each of the Project Accounts), (v) the Costs of Issuance Fund, and (vi) the Rebate Fund.

Flow of Funds

Pursuant to the Indenture, so long as any Bonds remain outstanding, amounts in the Pledged Revenue Fund, other than Pledged Transportation Trust Fund Revenues, are required to be transferred not later than the third Business Day preceding the next payment date (each a "Transfer Date") to the funds and accounts created by the Indenture, in the following order of priority: (i) to the Interest Account, an amount sufficient to pay the interest due on such Transfer Date (taking into account any money already on deposit in the Interest Account and, to the extent applicable, any money on deposit in the Capitalized Interest Account available for the payment of interest on such Transfer Date), (ii) to the Principal Account, an amount sufficient to pay the principal due on such Transfer Date (taking into account any money already on deposit in the Principal Account), (iii) to the Redemption Account, an amount sufficient to redeem the Bonds subject to redemption pursuant to the Indenture, (iv) to the extent legally available, to the Rebate Fund, an amount sufficient to comply with the provisions of the Indenture relating to the tax-exempt status of the Bonds and arbitrage rebate regulations, (v) to the Project Accounts, an amount sufficient to replenish amounts, if any, transferred to the Debt Service Fund to cover deficiencies

in the Debt Service Fund, (vi) to the Debt Service Reserve Fund, an amount sufficient to meet the Debt Service Reserve Requirement in accordance with the Indenture, and (vii) to the Expense Account, an amount sufficient to pay Bond Related Charges. Excess amounts, if any, in the Pledged Revenue Fund are required, pursuant to the Indenture, to remain therein and be applied in the manner described in this paragraph on the next Transfer Date.

In the event that on any Interest Payment Date or Principal Payment Date, the amount on deposit in the Interest Account or Principal Account is not sufficient to pay the full amount of interest on or principal of the Bonds then due, the Trustee is required, pursuant to the Indenture, to notify the Authority of such fact and thereafter draw on funds on deposit in the following accounts and transfer to the Interest Account or Principal Account, an amount equal to such deficiency: (i) the Pledged Revenue Fund, (ii) the Redemption Account (other than the amounts held therein to pay and redeem Bonds for which a notice of redemption has been given and amounts therein to defease Bonds pursuant to the Indenture), (iii) the Project Accounts, (iv) the Debt Service Reserve Fund, and (v) the Principal Account (for deficiencies in the Interest Account).

Debt Service Reserve Fund

Upon the delivery of the Bonds, the Authority is required, pursuant to the Indenture, to deposit a portion of the proceeds of the Bonds into the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement. "Debt Service Reserve Requirement" is defined in the Indenture as follows: (i) as of the closing date for the Bonds, an amount that is equal to the least of (a) the maximum Annual Debt Service due on the Bonds in the current or any future fiscal year, (b) 10% of the original stated principal amount of the Bonds (or 10% of the issue price of the Bonds if required by the Code), or (c) 125% of the average Annual Debt Service due on the Bonds in the current and each future fiscal year, with an initial requirement of \$7,576,250, which is expected to be funded from Bond proceeds; and (ii) upon a draw on the Debt Service Reserve Fund pursuant to the Indenture, an amount that is equal to the maximum Annual Debt Service due on the Bonds in the current or any future fiscal year. The Debt Service Reserve Requirement may be satisfied by cash, Permitted Investments, or a Debt Service Reserve Fund Credit Facility, or any combination thereof.

The Debt Service Reserve Fund is required, pursuant to the Indenture, to be maintained at the Debt Service Reserve Requirement. In the event the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement because of a transfer from the Debt Service Reserve Fund to the Interest Account or Principal Account of the Debt Service Fund and there are insufficient funds available in the Pledged Revenue Fund, the Authority is required, pursuant to the Indenture, to cause the Government to maintain the Debt Service Reserve Requirement by a transfer of Pledged Transportation Trust Fund Revenues. In the event the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement because of any valuation of the investment securities, the Authority is required, pursuant to the Indenture, to maintain the Debt Service Reserve Requirement by transfers of Revenues no later than twelve months following a determination that a deficiency exists and, in the event the amount on deposit in the Pledged Revenue Fund is insufficient to replenish amounts in the Debt Service Reserve Fund, the Authority is required, pursuant to the Indenture, to cause the Government to transfer Pledged Transportation Trust Fund Revenues to the Pledged Revenue Fund in the amount to restore such deficiency to the Debt Service Reserve Requirement. For information on the Intercept Policy that provides the mechanism by which Pledged Transportation Trust Fund Revenues will be captured and transferred to the Trustee to restore deficiencies in the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement, see in "TRANSPORTATION TRUST FUND – General."

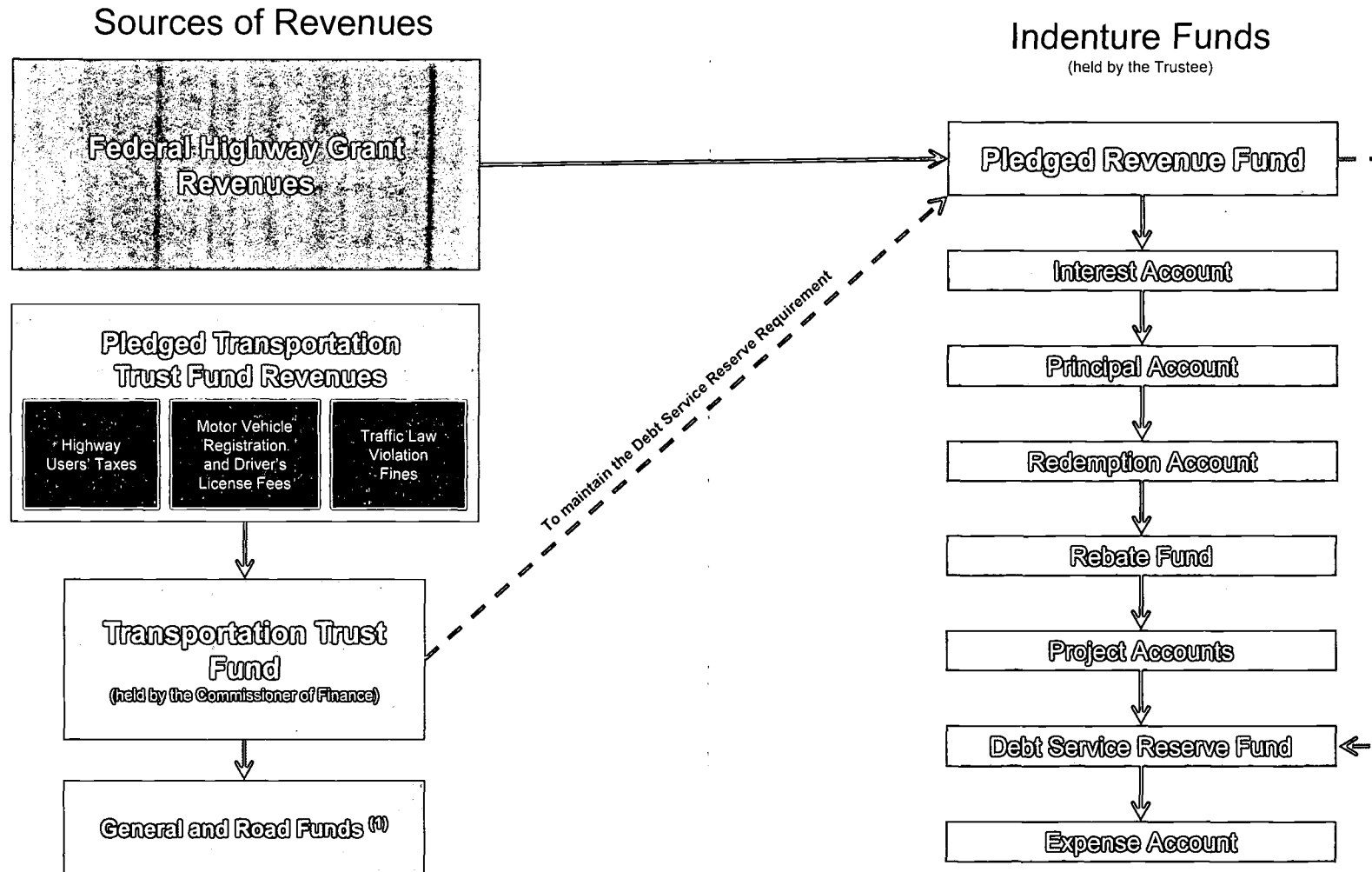
Notwithstanding the foregoing, the Indenture provides that the lien on and security interest in Pledged Transportation Trust Fund Revenues to replenish any deficiency in the Debt Service Reserve Fund terminates upon verification by the Trustee that the Debt Service Reserve Fund is funded in an amount at least equal to the then-current Debt Service Reserve Requirement and delivery to the Trustee of evidence confirming satisfaction of the following conditions: (i) written evidence from FHWA that (a) Federal Aid Legislation is in effect for a period not less than the remaining final maturity of the outstanding Bonds and (b) such Federal Aid Legislation allocates to the Virgin Islands pursuant to the Territorial Highway Program (as defined below) annual amounts sufficient to pay annual principal and interest due and payable on the outstanding Bonds until final maturity (the "FHWA Available Authorization") and (ii) the amount on deposit in the Debt Service Reserve Fund and the FHWA Available Authorization, taken together, are sufficient to pay in full all principal and interest due and payable on the Bonds through final maturity of the Bonds. In order for the lien on and security interest in the Pledged Transportation Trust Fund Revenues to be terminated at any time, the Indenture provides that the Authority is required to deliver to the Trustee a certificate evidencing that each of the foregoing conditions has been satisfied. Upon the termination of such lien and security interest, the Indenture also provides that the Intercept Policy terminates. As noted above, under the terms of the Indenture, the amounts on deposit in the Debt Service Reserve Fund are required to be maintained at the Debt Service Reserve Requirement through the final maturity of the Bonds and may, at the election of the Authority, be applied to the payment of any amounts due on the final maturity date.

If on any Interest Payment Date there are insufficient amounts on deposit in the Interest Account to pay the total amount of interest coming due on the Bonds, or if on any Principal Payment Date there are insufficient amounts on deposit in the Principal Account to pay the total amount of principal coming due on the Bonds, and after making the transfers required to be made from other funds and accounts as provided for in the Indenture, the Trustee is required to transfer sums on deposit in the Debt Service Reserve Fund to the Interest Account or Principal Account, as the case may be, in an amount sufficient to make up any such deficiency. The Trustee is required, pursuant to the Indenture, to notify the Authority of such transfer.

Additional Bonds

The Indenture does not permit the issuance of additional new money bonds. Refunding bonds may be issued in accordance with the provisions of the Indenture and pursuant to a Supplemental Indenture. In addition, the Indenture provides that the Authority may issue bonds, notes, or other evidences of indebtedness with a subordinate lien on and security interest in the Trust Estate. Any such subordinate indebtedness would be issued pursuant to a separate indenture of trust.

Sources of Revenues and Flow of Funds Chart



- Under the Virgin Islands Code, monies in the Transportation Trust Fund are required to be distributed as necessary to make all payments of principal of, premium, if any, and interest on the bonds of the Authority payable from the Transportation Trust Fund, in the amounts required by any resolution, indenture or bond declaration entered into with respect to such bonds. Subject to the limitations of any resolution, indenture or bond declaration entered into with respect to bonds payable from the TTF, on the last day of each fiscal year of the Government after all payments of principal of, premium, if any, and interest on such bonds are paid or such earlier time as there is on deposit in the Transportation Trust Fund sufficient funds to make all such payments with respect to such bonds, any surplus funds remaining in the Transportation Trust Fund are required to be deposited as follows: (i) in an amount equal to the lesser of such surplus or the amount of driver's license fees and motor vehicle registration fees collected in the Virgin Islands, and deposited in the Transportation Trust Fund, to the General Fund; and (ii) the remaining amount of such surplus, if any, to the Road Fund created pursuant to Title 33, Chapter 111, Section 3002 of the Virgin Islands Code. There are currently no outstanding bonds or other obligations secured by the Pledged Transportation Trust Fund Revenues or the Transportation Trust Fund.

SOURCES AND USES OF FUNDS

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

SOURCES OF FUNDS

Par Amount	\$89,880,000.00
Original Issue Premium	<u>11,475,935.65</u>
Total Sources	<u>\$101,355,935.65</u>

USES OF FUNDS

Deposit to the Project Accounts	\$91,000,000.00
Deposit to the Debt Service Reserve Fund	<u>7,576,250.00</u>
Costs of Issuance ⁽¹⁾	<u>2,779,685.65</u>
Total Uses	<u>\$101,355,935.65</u>

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1. The costs of issuance of the Bonds include legal fees, Trustee fees, fees for Jefferies and Bostonia, and other costs incurred in connection with the issuance of the Bonds.

PROJECTED DEBT SERVICE COVERAGE

The following table sets forth projected debt service coverage on the Bonds from both Federal Highway Grant Revenues and Pledged Transportation Trust Fund Revenues. For purposes of projecting debt service coverage: (i) annual Federal Highway Grant Revenues are assumed to be \$15,300,000 for each fiscal year from 2016 through 2033, which reflects guidance from FHWA-PR for fiscal years 2016-2019 and assumes 0% growth; and (ii) annual Pledged Transportation Trust Fund Revenues are assumed to be \$10,462,392 for each fiscal year from 2016 through 2033, which reflects the unaudited Pledged Transportation Trust Fund Revenues for fiscal year 2015 and assumes 0% growth.

Table 4. Projected Debt Service Coverage

Projected Pledged Revenues				Debt Service	Projected Debt Service Coverage		
Fiscal Year	Federal Highway Grant Revenues	Pledged Transportation Trust Fund Revenues	Total	Debt Service on the Bonds	Federal Highway Grant Revenues	Pledged Transportation Trust Fund Revenues ⁽¹⁾	Total
2016	\$15,300,000	\$10,462,392	\$25,762,392	\$7,573,516	2.02x	1.38x	3.40x
2017	\$15,300,000	\$10,462,392	\$25,762,392	\$7,572,400	2.02x	1.38x	3.40x
2018	\$15,300,000	\$10,462,392	\$25,762,392	\$7,574,000	2.02x	1.38x	3.40x
2019	\$15,300,000	\$10,462,392	\$25,762,392	\$7,575,500	2.02x	1.38x	3.40x
2020	\$15,300,000	\$10,462,392	\$25,762,392	\$7,573,250	2.02x	1.38x	3.40x
2021	\$15,300,000	\$10,462,392	\$25,762,392	\$7,572,000	2.02x	1.38x	3.40x
2022	\$15,300,000	\$10,462,392	\$25,762,392	\$7,576,250	2.02x	1.38x	3.40x
2023	\$15,300,000	\$10,462,392	\$25,762,392	\$7,575,250	2.02x	1.38x	3.40x
2024	\$15,300,000	\$10,462,392	\$25,762,392	\$7,573,750	2.02x	1.38x	3.40x
2025	\$15,300,000	\$10,462,392	\$25,762,392	\$7,571,250	2.02x	1.38x	3.40x
2026	\$15,300,000	\$10,462,392	\$25,762,392	\$7,572,250	2.02x	1.38x	3.40x
2027	\$15,300,000	\$10,462,392	\$25,762,392	\$7,571,000	2.02x	1.38x	3.40x
2028	\$15,300,000	\$10,462,392	\$25,762,392	\$7,572,000	2.02x	1.38x	3.40x
2029	\$15,300,000	\$10,462,392	\$25,762,392	\$7,574,500	2.02x	1.38x	3.40x
2030	\$15,300,000	\$10,462,392	\$25,762,392	\$7,572,750	2.02x	1.38x	3.40x
2031	\$15,300,000	\$10,462,392	\$25,762,392	\$7,571,250	2.02x	1.38x	3.40x
2032	\$15,300,000	\$10,462,392	\$25,762,392	\$7,574,250	2.02x	1.38x	3.40x
2033	\$15,300,000	\$10,462,392	\$25,762,392	\$7,575,750	2.02x	1.38x	3.40x

1. As noted herein, the Indenture provides that the lien on and security interest in the Pledged Transportation Trust Fund Revenues is only available as security for the Bonds to replenish the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement. The Indenture also provides that upon satisfaction of certain conditions, the lien on and security interest in the Pledged Transportation Trust Fund Revenues terminates. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – The Bonds" and "– Debt Service Reserve Fund."

GENERAL OVERVIEW OF THE FEDERAL-AID HIGHWAY PROGRAM

General

Under Title 23, federal highway construction assistance is paid to all states, and the District of Columbia (collectively referred to herein as the “states”), the Commonwealth of Puerto Rico (“Puerto Rico”), American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the Virgin Islands, through the FAHP administered by FHWA from revenues collected by the U.S. Treasury from certain federal taxes on gasoline, tire sales and other items, which revenues are deposited into the federal Highway Trust Fund (“HTF”). American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, and the Virgin Islands are referred to in this Limited Offering Memorandum as the “U.S. Territories” or a “U.S. Territory,” as applicable. Distribution of assistance from the HTF is subject to periodic authorization and annual appropriation by Congress. Since such assistance was established by the Federal-Aid Highway Act of 1956, the FAHP has been reauthorized numerous times in various forms at generally increasing funding levels and has continued without interruption since 1956.

Within the FAHP, Section 165 of Title 23 establishes the territorial and Puerto Rico highway programs. The U.S. Territories fall within the territorial highway program (the “Territorial Highway Program”). In order to receive federal reimbursements for transportation projects under the Territorial Highway Program, a U.S. Territory must enter into an agreement with FHWA providing that the government of the U.S. Territory will (i) implement the Territorial Highway Program in accordance with applicable provisions of Title 23, (ii) design and construct a system of arterial and collector highways, including necessary inter-island connectors, in accordance with standards that are appropriate for the U.S. Territory and approved by FHWA, (iii) provide for the maintenance of facilities constructed or operated under the Territorial Highway Program to adequately serve the needs of present and future traffic, and (iv) implement standards for traffic operations and uniform traffic control devices that are approved by FHWA.

These agreements, commonly referred to as “Stewardship and Oversight Agreements,” also (i) specify the kind of technical assistance to be provided, (ii) include appropriate provisions regarding information sharing among the U.S. Territories, and (iii) delineate the oversight role and responsibilities of the U.S. Territories and FHWA. Stewardship and Oversight Agreements also identify the sections of Title 23 that are applicable to a U.S. Territory and the extent of the applicability of those sections.

The VIDPW has cooperated with FHWA since the inception of the Territorial Highway Program. The VIDPW and FHWA-PR entered into a Stewardship and Oversight Agreement, dated June 23, 2015, which specifies each party’s roles and responsibilities under the Territorial Highway Program (the “Virgin Islands Stewardship and Oversight Agreement”). Stewardship and Oversight Agreements are generally reevaluated and revised, as necessary, approximately every two (2) years.

The VIDPW also uses its Virgin Islands Territory-Wide Transportation Improvement Plan (the “TTIP”) to comply with the planning and programming requirements of the Territorial Highway Program. The TTIP is reviewed and approved by FHWA-PR. An amended version of the TTIP was approved by FHWA-PR on August 12, 2015 and covers fiscal years 2014-2017. The amended TTIP includes the Approved Projects and debt service on the Bonds for such fiscal years. Once included in the TTIP, the debt service on the Bonds is considered obligated under the FAHP.

Throughout this Limited Offering Memorandum, when the term FAHP is used, it is meant to include the Territorial Highway Program, unless otherwise noted.

Authorization of the Federal-Aid Highway Program

The process of financing the FAHP begins with congressional approval of a federal highway act. The last multi-year authorization of the FAHP was MAP-21, which was signed into law on July 6, 2012 and provided funding for the FAHP through September 30, 2014. Prior to MAP-21, the legislative authorization for the FAHP was provided by the Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (“SAFETEA-LU”), which became effective on August 10, 2005. SAFETEA-LU replaced the previous six-year authorizing legislation, the Transportation Equity Act for the 21st Century, as amended (“TEA-21”), which expired on September 30, 2003.

In the periods between multi-year authorizations, Congress has used short-term authorizations to fund the FAHP. Since August 2014, Congress has enacted five short-term authorizations to provide continued funding for the FAHP, among other things. The Highway and Transportation Funding Act of 2014 (P.L. 113-159) (the “Highway and Transportation Funding Act of 2014”) and the Highway and Transportation Funding Act of 2015 (P.L. 114-21) (the “Highway and Transportation Funding Act of 2015”) provided extensions of the funding for the FAHP through May 31, 2015 and July 31, 2015, respectively. In July 2015, Congress enacted the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 (P.L. 114-41) (the “Surface Transportation and Veterans Health Care Choice Improvement Act”), which extended funding for the FAHP through October 29, 2015. On October 29, 2015, Congress enacted the Surface Transportation Extension Act of 2015 (the “Surface Transportation Extension Act”) to extend funding for the FAHP through November 20, 2015. On November 20, 2015, Congress enacted the Surface Transportation Extension Act of 2015, Part II (the “Surface Transportation Extension Act, Part II”) to extend funding for the FAHP through December 4, 2015.

In addition to these short-term extensions, Congress is considering a number of proposed multi-year authorization bills to continue funding for the FAHP. There can be no assurances given that any additional short-term authorizations or any multi-year authorization of the FAHP will be enacted in the future.

For more detailed information on the FAHP, see APPENDIX A – “THE FEDERAL-AID HIGHWAY PROGRAM.”

PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM

The availability of Federal Highway Grant Revenues to pay debt service on the Bonds will depend on several factors, including, among others, the amount of funding provided to the Virgin Islands by the federal government under the FAHP. The table below summarizes the funding levels provided to the Virgin Islands under the FAHP for fiscal years 2006-2015.

**Table 5. FAHP Funding History in the Virgin Islands
2006-2015**

Fiscal Year Ending Sept. 30	Annual Allocation for the Virgin Islands	Obligation Authority⁽¹⁾
2006	\$16,000,000	\$13,780,800
2007	\$20,000,000	\$18,414,317
2008	\$20,000,000	\$18,480,000
2009	\$20,000,000	\$18,760,000
2010	\$20,000,000	\$21,692,000
2011	\$20,000,000	\$21,483,200
2012	\$20,000,000	\$20,532,508
2013	\$16,000,000	\$15,313,312
2014	\$16,000,000	\$15,184,000
2015	\$16,000,000	\$15,024,000

Source: The information in Table 5 was provided by VIDPW, as derived from data maintained by FHWA-PR.

1. "Obligation Authority" means the federal limitation placed on the amount of funds that can be obligated within a given fiscal year under the FAHP. Obligation Authority can be greater or less than the annual allocation in a given fiscal year due to additional funding or applicable reductions mandated by Congress.

While Table 5 demonstrates a consistent level of FAHP funding for the Virgin Islands, various factors beyond the control of the Authority and VIDPW may affect the receipt of Federal Highway Grant Revenues by the Virgin Islands, including, without limitation, subsequent authorizations, federal budgetary limitations, and other possible changes in the FAHP that cannot now be anticipated. As noted above, for purposes of projecting debt service coverage on the Bonds, annual Federal Highway Grant Revenues were assumed to be \$15,300,000 for each fiscal year from 2016 through 2033, which reflects guidance from FHWA-PR for fiscal years 2016-2019 and assumes 0% growth. For projected debt service coverage for the Bonds, see Table 4.

VIRGIN ISLANDS DEPARTMENT OF PUBLIC WORKS

The VIDPW is a department of the Government and is authorized under Title 3, Chapter 9, and Title 31 of the Virgin Islands Code to perform the following functions: (i) passing upon applications for the construction of new catchment areas, cisterns and wells; (ii) participating in the planning of, supervising the construction of, and repairing and maintaining, all Government buildings and grounds, public roads, highways, seawalls, wharves, seaways, public recreation areas, airports, and properties of like character; (iii) repairing and maintaining other Government-owned public utilities, including Government-owned communications systems in the Virgin Islands, and recommending methods for the maintenance thereof; (iv) providing engineering services; (v) planning for public works in the Virgin Islands; (vi) cooperating with the federal government in the planning for, and in the construction, repair, and maintenance of, any Government buildings and grounds, public roads, highways, harbors, seawalls, wharves, seaways, public recreation areas, public housing projects, airports and properties of like character; (vii) performing all functions and exercising all authority as required by federal law in the construction, repair and maintenance of federally aided projects; (viii) expending all funds made available by the federal government for purposes of federally aided projects; (ix) preparing and submitting reports with respect to activities related to federally aided projects as required by federal law; (x) assisting in the protection and preservation of private property, including the elevation of dwellings and construction of dikes and storm walls, in cases of flooding, storm damages, natural disasters or other emergencies and utilizing any available appropriations for such purposes; (xi) planning, constructing, operating, maintaining, and administering public parking lots, parking meters, and garages, designating paid public parking areas for motor vehicles on public streets, and highways, establishing and collecting, pursuant to rules and regulations, fees for parking on any public street, or highway and on or in any Government-owned public parking lots or garages, and establishing rules and regulations concerning the operation and use of such paid public parking areas, lots, and garages; and (xii) performing other functions as may be prescribed by the Virgin Islands Code or other law.

Pursuant to the Memorandum of Understanding, the VIDPW has agreed, among other things, to be the primary local agency for development of the Approved Projects and for interfacing with FHWA with respect to the Approved Projects and the construction thereof.

Management

The VIDPW is organized into various divisions under the Office of the Commissioner of Public Works (the "Commissioner"). The Commissioner is appointed by the Governor, with the advice and consent of the Legislature, and holds office during the term of the Governor by whom he is appointed and until his successor is appointed and qualified, unless sooner removed by the Governor. Gustav James, P.E., became the Commissioner in 2015.

Operations

The VIDPW has been engaged in the oversight, management and construction of numerous capital projects. The VIDPW's operations are financed through the Government's annual budget or from funds received from various federal programs. The following federal agencies provide technical and financial assistance to the VIDPW in connection with federally financed projects and conduct oversight of construction and maintenance of such projects: (i) Environmental Protection Agency, (ii) the Army Corps of Engineers, (iii) FHWA, (iv) the Federal Transportation Administration, (v) the U.S. Department of the Interior, and (vi) the U.S. Geological Service.

TRANSPORTATION TRUST FUND

General

The TTF was created pursuant to Title 33, Chapter 111, Section 3003a of the Virgin Islands Code. The TTF is a special fund held by the Commissioner of Finance, on behalf of the Government, separate and apart from all other funds of the Government, to be used for payments due on any bonds or other obligations issued by the Government or the Authority payable from such special fund, such as the Bonds. The Commissioner of Finance maintains and provides for the administration of the TTF. The Pledged Transportation Trust Fund Revenues are required to be deposited into the TTF.

Under the Virgin Islands Code, monies in the TTF are required to be distributed as necessary to make all payments of principal of, premium, if any, and interest on the bonds of the Authority payable from the TTF, in the amounts required by any resolution, indenture or bond declaration entered into with respect to such bonds. Subject to the limitations of any resolution, indenture, or bond declaration entered into with respect to bonds payable from the TTF, on the last day of each fiscal year of the Government after all payments of principal of, premium, if any, and interest on such bonds are paid or such earlier time as there is on deposit in the TTF sufficient funds to make all such payments with respect to such bonds, any surplus funds remaining in the TTF are required to be deposited as follows: (i) in an amount equal to the lesser of such surplus or the amount of driver's license fees and motor vehicle registration fees collected in the Virgin Islands, and deposited in the TTF, to the General Fund; and (ii) the remaining amount of such surplus, if any, to the Road Fund created pursuant to Title 33, Chapter 111, Section 3002 of the Virgin Islands Code.

Although the Authority expects to use Federal Highway Grant Revenues to pay debt service on the Bonds, Pledged Transportation Trust Fund Revenues are also available, on the limited basis described herein, to replenish the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement. As described in more detail below, Pledged Transportation Trust Fund Revenues consist of the Highway Users' Tax, Motor Vehicle Registration Fees and Driver's License Fees, and Traffic Law Violation Fines, each as defined below.

As described in this Limited Offering Memorandum, the Indenture provides that the lien on and security interest in the Pledged Transportation Trust Fund Revenues only arises upon the occurrence of, and is only available as security for the Bonds to the extent of, any shortfall in the Debt Service Reserve Fund. Currently, there are no outstanding bonds or other obligations secured by the Pledged Transportation Trust Fund Revenues or the TTF and the Government transfers the money deposited in the TTF to its General Fund or Road Fund on a regular basis. Subsequent to the issuance of the Bonds, the Government expects to continue this practice. Thus, there can be no assurance that there will be any money on deposit in the TTF at the time any deficiency in the Debt Service Reserve Fund is identified. Pursuant to the Loan Agreement, the Trustee is required to notify the Government of any deficiency in the Debt Service Reserve Fund and, upon such notification, the Government is required to replenish such deficiency to maintain the Debt Service Reserve Requirement with Pledged Transportation Trust Fund Revenues, as received.

The Authority, the Government, VIDPW, and the Trustee have agreed to institute an intercept policy (the "Intercept Policy") that provides the mechanism by which Pledged Transportation Trust Fund Revenues are captured and transferred to the Trustee to replenish the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement. Pursuant to the Intercept Policy, in the event of a draw on the Debt Service Reserve Fund, the Authority and the Government have agreed to transfer all Pledged Transportation Trust Fund Revenues to the Pledged Revenue Fund until the

Debt Service Reserve Fund is replenished to the Debt Service Reserve Requirement. The Intercept Policy is subject to change at any time at the sole discretion of the Government and without notice to the Owners of the Bonds.

As described in "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Debt Service Reserve Fund" herein, the Indenture provides that upon satisfaction of certain conditions, the lien on and security interest in the Pledged Transportation Trust Fund Revenues and the Intercept Policy terminate.

Highway Users' Tax

Pursuant Title 33, Chapter 4 of the Virgin Islands Code, before registering a motor vehicle in the Virgin Islands for the first time, each person is required to pay a highway users' tax of 16 cents per pound on the unladen weight of the vehicle, provided that the minimum highway users' tax for any vehicle is \$25.00 (the "Highway Users' Tax"). There are several exemptions from the Highway Users' Tax, including exemptions for (i) certain motor vehicles used by certain non-profit organizations, (ii) many taxicabs and buses, and (iii) hybrid and fuel efficient vehicles purchased during an annual highway users' tax holiday (December 15-31 each year). Highway Users' Taxes are collected by the Virgin Islands Bureau of Internal Revenue and are deposited into the TTF on a daily basis. The following table shows the total number of motor vehicles that paid the highway users' tax in the corresponding calendar year.

**Table 6. Motor Vehicles Subject to Highway Users' Tax
Calendar Years 2006-2015⁽¹⁾**

Calendar Year	Motor Vehicles Subject to Highway Users' Tax
2006	7,789
2007	7,671
2008	5,754
2009	4,668
2010	4,969
2011	5,148
2012	4,082
2013	5,007
2014	4,183
2015 ⁽²⁾	2,249

Source: Virgin Islands Bureau of Internal Revenue.

1. The data in Table 6 is unaudited.

2. The data for fiscal year 2015 is preliminary and subject to change.

Motor Vehicle Registration Fees and Driver's License Fees

Pursuant Title 20, Chapters 33, 35, and 39 of the Virgin Islands Code, every motor vehicle must be registered annually with the Government and all operators of public and private use vehicles must obtain a drivers' license. There is an annual fee for registration for vehicles. There is a fee to obtain a drivers' license, which is valid for five years. A licensee also must pay a fee to renew his or her license. The registration and license fees range in unit value but have remained relatively constant since 1983. Collectively, these fees are referred to herein as the "Motor Vehicle Registration Fees and Driver's License Fees."

Since 2007, the Motor Vehicle Registration Fees and Driver's License Fees have been collected by the Virgin Islands Bureau of Motor Vehicles. Prior to 2007, such fees were collected by the Virgin Islands Police Department.

Motor Vehicle Registration Fees and Driver's License Fees are deposited into the TTF on a daily basis. The following table shows the number of driver's licenses issued and motor vehicles registered in the corresponding fiscal year.

Table 7. Motor Vehicle Registration Fees and Driver's License Fees
Fiscal Years 2007-2015^{(1), (2)}

Fiscal Year	Driver's Licenses Issued	Motor Vehicles Registered
2007	17,672	74,287
2008	13,905	78,805
2009	16,755	75,046
2010	19,875	74,732
2011	22,553	72,805
2012	17,049	72,972
2013	12,946	72,540
2014	15,074	69,169
2015 ⁽³⁾	15,609	60,909

Source: Virgin Islands Bureau of Motor Vehicles.

1. The data in Table 7 is unaudited.
2. The Virgin Islands Bureau of Motor Vehicles is unable to obtain data for fiscal years prior to 2007.
3. The data for fiscal year 2015 is preliminary and subject to change.

Traffic Law Violation Fines

Pursuant to Title 20, Chapters 43 and 45 of the Virgin Islands Code, traffic in the Virgin Islands is regulated and tickets for traffic law violations are issued by the Virgin Islands Police Department. Fines and penalties imposed for traffic law violations (the "Traffic Law Violation Fines") are collected by the Virgin Islands Superior Court and deposited into the TTF on a daily basis. For the total amount of Traffic Law Violation Fines collected in fiscal years 2006-2015, see Table 8 below.

Motor Fuel Taxes Not Included in TTF

Until June 2012, all motor fuel taxes collected pursuant to Title 33, Chapter 5 of the Virgin Islands Code (the "Motor Fuel Taxes") also were required to be deposited into the TTF. Pursuant to 2012 V.I. Act 7360, the Motor Fuel Taxes were authorized to be made available to the Virgin Islands Water and Power Authority to fund new energy and power generating units and/or heat recovery steam generators for the Virgin Islands, effective as of June 19, 2012. The Motor Fuel Taxes are no longer deposited into the TTF and are not part of the Pledged Transportation Trust Fund Revenues.

Proposals have been introduced in the Legislature that would restore the deposit of the Motor Fuel Taxes into the TTF. If enacted, such proposed changes could increase the amount of money deposited into the TTF and the amount of Pledged Transportation Trust Fund Revenues available to restore deficiencies in the Debt Service Reserve Fund, if necessary. As of the date hereof, no action has been taken by the Legislature on such proposed changes to the Virgin Islands Code. No assurances can be given as to whether these proposed changes will be considered or enacted by the Legislature.

Historical Pledged Transportation Trust Fund Revenues

The following table sets forth the Pledged Transportation Trust Fund Revenues for fiscal years 2006 through 2015. Since the Motor Fuel Taxes are no longer deposited into the TTF, Table 8 excludes Motor Fuel Taxes for all fiscal years.

**Table 8. Historical Pledged Transportation Trust Fund Revenues
Fiscal Years 2006-2015⁽¹⁾**

Fiscal Year	Highway Users' Taxes	Motor Vehicle Registration		Traffic Law Violation Fines	Total
		Fees and Driver's License Fees			
2006	\$4,680,446	\$6,400,998		\$828,488	\$11,909,932
2007	\$4,591,199	\$6,408,312		\$904,915	\$11,904,426
2008	\$3,990,104	\$6,442,286		\$752,330	\$11,184,720
2009	\$3,486,726	\$6,545,016		\$678,441	\$10,710,183
2010	\$2,783,109	\$6,238,159		\$723,178	\$9,744,446
2011	\$2,965,478	\$6,199,857		\$862,809	\$10,028,144
2012	\$2,588,511	\$5,973,278		\$1,119,587	\$9,681,376
2013	\$2,289,090	\$5,720,426		\$947,195	\$8,956,711
2014	\$2,827,257	\$5,782,896		\$572,999	\$9,183,152
2015 ⁽²⁾	\$3,039,797	\$6,806,095		\$616,500	\$10,462,392

Source: Virgin Islands Department of Finance – Treasury Division. Amounts may not total due to rounding.

1. The data in Table 8 is unaudited.

2. The data for fiscal year 2015 is preliminary and subject to change.

THE APPROVED PROJECTS

VIDPW has identified the following projects as the Approved Projects to be financed with proceeds from the sale of the Bonds. Each such project has been included in the VIDPW's TTIP.

The Melvin Evans Highway Project – Route 66, St. Croix. The repairs to Melvin Evans Highway involve drainage improvements, pavement rehabilitation, and safety improvements, as well as striping of the roadway. The first phase of these improvements involves 1.2 miles of the Melvin Evans Highway from West Airport Road to Carlton Road. The second phase of these improvements involves 2.2 miles of the Melvin Evans Highway from Carlton to Hannah's Rest. The third phase of these improvements involves 1.7 miles of the Melvin Evans Highway from Downings Intersection to West Airport.

Spring Gut Road Phase I and II – St. Croix Estate Welcome to the South Shore Road Project (Route 85), St. Croix. The improvements to Route 85 will be constructed in three phases. The initial two phases of this project involve the replacement of a bridge, roadway reconstruction, installation of sidewalks, shared bike/pedestrian path, drainage, utility relocation, lighting, signage, and striping of the roadway.

Sion Valley Road from Rattan Road through Peter's Rest to the Intersection at Blue Mountain Water Project, St. Croix. This project includes a 0.6 mile sector of the roadway that extends from the intersection of Route 70 to Route 68 (from the Sion Farm Intersection on Route 70 to Schusters Water). Improvements include reconstruction of the roadway, drainage improvements, striping of the roadway, and signage.

Mahogany Road, Route 76, St. Croix. A total length of 5.4 miles of Mahogany Road is earmarked for improvements. These improvements to Route 76 include pavement rehabilitation, striping of the roadway, drainage improvements, appropriate signage for hikers, bikers and tours, and guardrail installation, as well as improvement in geometrics and safety. These improvements involve the sector of the roadway from the intersection of Route 63 to the intersection of River Road, Route 69.

Hams Bluff Road, Route 63, St. Croix. A total length of 3.8 miles of Hams Bluff Road is earmarked for improvements. The improvements include roadway reconstruction, geometric and safety improvements, signage for hikers and bikers, guardrail installation, culvert replacement, and striping of the roadway. This project will start at the entrance to Aggregate Inc., a privately owned and operated quarry, and terminate at the intersection of Creque Dam Road, Route 58.

Frederiksted Roads, Routes 702, 7029, 7027, 7025, and 7023, St. Croix. The proposed improvements to these roads involve milling of the roadway, replacement of asphalt pavement, striping of the roadway, and replacement of traffic signs.

Rattan Road, Route 74, St. Croix. The section of this roadway from Five Corners to Route 79 (Island Center Road) is earmarked for improvements. Such improvements include the installation of guardrails, improvements to geometrics, signage, pavement and drainage improvements, and striping of the roadway.

Christiansted Roads, Routes 754 (King Cross Street), 75 East (King Street), and 75 West (Company Street), St. Croix. Improvements to these roads are planned in the downtown Christiansted area. Such improvements include pavement rehabilitation, replacement of signs, striping of the roadway, and drainage improvements.

Veteran's Drive Project – Phase I, St. Thomas. The first phase of the Veteran's Drive Project comprises the section of Veteran's Drive beginning at the newly reconstructed intersection at Lovers Lane going west to the Fort Christian parking lot west of the intersection at Route 35, Hospital Gade. Improvements include widening and constructing two additional traffic lanes, a landscaped median, new signal system at Hospital Gade, new promenade with rest areas on the water side, new sidewalks on the north side, signage, utility relocation, and drainage improvements.

CERTAIN BONDHOLDER RISKS

The Authority's ability to pay principal of and interest on the Bonds is dependent upon numerous factors, many of which are not subject to the control of the Authority. As such, the purchase and ownership of the Bonds involves certain investment risks. Described below are certain factors that could affect the ability of the Authority to pay debt service on the Bonds. Prospective purchasers of the 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 Bonds. In addition to possible adverse effects on the security for the Bonds, purchasers should be aware that these factors, among others, may adversely affect the market price of the Bonds in the secondary market. See also "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" and "CONTINUING DISCLOSURE."

Transfer and Resale Restrictions

The 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 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 period of time and will cease only at such time as the conditions described herein under "PLAN OF DISTRIBUTION OF THE BONDS – Potential Elimination of Transfer and Resale Restrictions" are satisfied. No assurances can be given that the transfer and resale restrictions will cease. A prospective purchaser may be required to bear the economic risk of the investment in the Bonds until maturity.

Security for the Bonds and Loan Note

The Bonds are special, limited obligations of the Authority payable solely from, and secured by a lien on and security interest in, the Trust Estate, subject only to the provisions of the Indenture (in the manner described herein). The Bonds are not general obligations of the Authority, the United States Virgin Islands, or the United States of America. The Bonds are not evidence of a debt of the United States of America or the United States Virgin Islands and neither the United States of America nor the United States Virgin Islands are liable thereon. The taxing power of the Government is not pledged to the Loan Note or the Bonds. The Authority has no taxing power.

The Government has not pledged its full faith and credit to the payment of the Loan Note. The Loan Note is secured solely by the Federal Highway Grant Revenues and the Pledged Transportation Trust Fund Revenues (in the limited manner described herein). The Authority and Government have not

pledged nor agreed to use any Government revenues, taxes, or other moneys to repay the Bonds other than the Federal Highway Grant Revenues and the Pledged Transportation Trust Fund Revenues (in the manner described herein).

Factors Affecting Federal Highway Grant Revenues

A number of factors could adversely affect the availability of Federal Highway Grant Revenues to pay debt service on the Bonds, including the following:

Federal Authorization and Changes in Law. The FAHP has historically been authorized by Congress under multi-year authorizing legislation, the last of which is MAP-21. MAP-21 was signed into law on July 6, 2012 and provided funding for the FAHP through September 30, 2014. Prior to MAP-21, the legislative authorization for the FAHP was provided by SAFETEA-LU, which became effective on August 10, 2005. SAFETEA-LU replaced the previous six-year authorizing legislation, TEA-21, which expired on September 30, 2003.

In the periods between multi-year authorizations, Congress consistently has used short-term authorizations to fund the FAHP. Since August 2014, Congress has enacted five short-term authorizations to provide for continued funding for the FAHP, among other things. On November 20, 2015, Congress enacted the Surface Transportation Extension Act, Part II to extend funding for the FAHP through December 4, 2015. In addition to these short-term extensions, the United States Senate and House of Representatives have each passed multi-year authorization bills to continue funding for the FAHP. Negotiations to reconcile the differences between the two bills are ongoing.

In recent years, the congressional budget process has been contentious, which has created a level of uncertainty regarding budget-related legislation and could have an impact on the FAHP or the HTF. There can be no assurance that any current provisions in the FAHP will be continued under any future federal authorization or that, if continued, such provisions will be sufficient to ensure that federal funding for the FAHP will be available as needed. Future legislation or certain other federal administrative action could reduce the amount of federal funding available to the Virgin Islands under the FAHP. See APPENDIX A hereto.

No assurances can be given as to whether future changes in law, regulation, or policy may affect the availability of Federal Highway Grant Revenues. Any future changes may have a materially adverse effect the availability of Federal Highway Grant Revenues and the ability of the Authority to pay debt service on the Bonds. See APPENDIX A hereto.

Projected Shortfalls in the Highway Trust Fund. In response to projected HTF shortfalls by the Congressional Budget Office ("CBO") and other governmental entities, in the past, Congress has transferred funds to the HTF. Since 2008, Congress has transferred billions of dollars from the federal general fund to the HTF to avoid shortfalls. Most recently, in July 2015, pursuant to the Surface Transportation and Veterans Health Care Choice Improvement Act, Congress authorized the transfer of \$8.1 billion from the federal general fund to the HTF to address projected shortfalls.

In a recent letter to the Chairman of the House of Representatives Committee on Transportation and Infrastructure, the CBO provided an updated estimate on the status of the HTF. The CBO stated that "[d]uring fiscal year 2016, [the] CBO projects revenues credited to the [HTF] will be insufficient to meet the fund's obligations." In that letter, the CBO projected that the highway account of the HTF will have a shortfall of \$1 billion in fiscal year 2016, and that shortfall is expected to grow to \$108 billion by fiscal year 2025. The CBO also projected that the transit account of the HTF will have a shortfall of less than

\$1 billion in fiscal year 2016, and that shortfall is expected to grow to \$40 billion by fiscal year 2025. These projections were based on CBO assumptions that funding for programs financed by the HTF in future years would continue at the level that Congress provided in fiscal year 2015 (approximately \$50 billion adjusted for inflation).

Although Congress has taken legislative action in the past to address projected shortfalls in the HTF, there can be no assurance that additional legislative action will be taken by Congress to address future shortfalls. It is possible that, without further legislative action, the long-term viability of the HTF could be adversely impacted – jeopardizing the availability of Federal Highway Grant Revenues to pay debt service on the Bonds. For a table showing annual HTF collections in the Highway Account for fiscal year 2006 through fiscal year 2015, see Table A-2 in APPENDIX A hereto.

U.S. Treasury Offset Program (“TOP”). The TOP is administered pursuant to the Debt Collection Improvement Act of 1996 and the regulations related thereto. The TOP requires the U.S. Treasury and other disbursing federal agencies to collect delinquent debts owed to the United States. Under the TOP, if a “person” is in debt to the United States, then federal agency payments may be offset through the TOP by the amount of the debt owed and up to the amount of the scheduled payment. “Person” is defined to include a state or local government. Administrative offset under the TOP is precluded only when another law specifically prohibits the offset. Payments of Federal Highway Grant Revenues from FHWA to the Government could be subject to the TOP if the Government owes any delinquent debts to the United States. In the last five years, no payments from FHWA to the Government have been delayed or withheld as a result of the TOP. No assurances can be given on whether any future payments of Federal Highway Grant Revenues to the Government will be delayed or withheld as a result of the TOP. Any such delay or withholding could affect the future availability of Federal Highway Grant Revenues to pay debt service on the Bonds.

Federal Bankruptcy Code

General. 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 that 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 is currently eligible to seek relief under the Federal Bankruptcy Code. Because neither the Authority nor the Government is subject to the Federal Bankruptcy Code, under the terms of such law as of the date of this Limited Offering Memorandum, it is uncertain how the lien on and security interest in the Federal Highway Grant Revenues and the Pledged Transportation Trust 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.

Proposed Puerto Rico Chapter 9 Uniformity Act of 2015. In February 2015, Resident Commissioner Pedro Pierluisi, a nonvoting member of the House of Representatives who represents Puerto Rico, introduced the Puerto Rico Chapter 9 Uniformity Act of 2015, which would empower the government of Puerto Rico to authorize its municipalities and instrumentalities to restructure their debt obligations under Chapter 9 of the Federal Bankruptcy Code. In July 2015, a related bill was introduced

in the United States Senate by Senator Richard Blumenthal. Together, these bills are referred to herein as the "Puerto Rico Chapter 9 Act." The Federal Bankruptcy Code grants the governments of each State the power to authorize their municipalities and instrumentalities to seek bankruptcy protection and the Puerto Rico Chapter 9 Act would grant the same power to Puerto Rico. In each legislative body, the Puerto Rico Chapter 9 Act was referred to the respective Judiciary Committee. As of the date hereof, no legislative action has been taken on the Puerto Rico Chapter 9 Act.

Additional Proposed Federal Legislation. In October 2015, the U.S. Treasury announced that it would present a plan to Congress that provides expanded bankruptcy protection to Puerto Rico and the territories of the United States (including the Virgin Islands), and their respective municipalities and instrumentalities (which would include the Authority), under the Federal Bankruptcy Code. As of the date hereof, no legislative action has been taken by Congress on these proposed changes to the Federal Bankruptcy Code. No assurances can be given as to whether these proposed changes will be considered or enacted by Congress.

If enacted, the impact of such legislation is also unknown. Any such legislation could (i) enable the Government itself, and/or (ii) permit the Government to authorize its political subdivisions, agencies, or instrumentalities, such as the Authority, to seek the protection of the Federal Bankruptcy Code, which could affect the rights and remedies of the holders of the Bonds.

As described herein, pursuant to the Memorandum of Understanding, payments of Federal Highway Grant Revenues for debt service on the Bonds are to be made directly to the Trustee from FHWA-PR. As such, it is unclear what impact, if any, a bankruptcy proceeding involving the Government or the Authority would have on the payment of Federal Highway Grant Revenues for debt service on the Bonds.

Financial Condition of the Government

In recent fiscal years, the Government has experienced substantial fluctuations in revenues and expenditures and recurring deficits. In the fiscal year 2016 budget, the Government projects a deficit of approximately \$98 million. The Government has proposed to manage the projected deficit with certain expenditure reductions and revenue generating initiatives, consisting of (i) \$55.5 million in budgetary savings resulting from a proposed long-term debt restructuring, (ii) \$31.0 million from a focused tax collection campaign by the Virgin Islands Internal Revenue Bureau, and (iii) \$11.5 million from sustained efforts to release federal funds. The proposed long-term debt restructuring is expected to involve the Authority's outstanding bonds secured by matching funds and gross receipts taxes and to produce budgetary savings of approximately \$280.8 million through fiscal year 2020 as a result of lower debt service payments in fiscal years 2016-2020 (with an annual average savings of \$56 million in such fiscal years). Such debt service savings, if achieved, are expected to allow for increased transfers of matching funds and gross receipts taxes into the General Fund. No assurances can be given as to whether any of the proposed revenue generating initiatives will be implemented by the Government or, if implemented, whether such initiatives will result in the expected deficit reductions.

LITIGATION

There is no litigation pending or, to the knowledge of the Authority or the Government, threatened (i) seeking to restrain or enjoin the issuance of the Bonds or the collection of the Federal Highway Grant Revenues or the Pledged Transportation Trust Fund Revenues, (ii) in any way contesting or affecting the authority to issue the Bonds or the validity or the binding effect of the Bonds, the resolutions of the Authority authorizing and implementing the Bonds or the Indenture, the Loan Agreement, or the Loan Note, or (iii) in any way contesting the creation, existence, powers or jurisdiction of the Authority or the validity or the binding effect of the Loan Agreement or the Loan Note or the application of the proceeds of the Bonds for the purposes planned.

INSPECTOR GENERAL AUDIT

In July 2014, the U.S. Department of the Interior, Office of Inspector General (the "U.S. OIG") and the Office of the Virgin Islands Inspector General, Government of the Virgin Islands (the "V.I. OIG") announced that they were commencing a joint audit of the Authority. The audit objective is to determine whether the Authority managed its operations, bond proceeds, and other income effectively and in accordance with established laws, rules, and regulations. The audit is expected to cover fiscal years 2010-2014 and could include other periods deemed appropriate. Since the commencement of the joint audit, the U.S. OIG and the V.I. OIG have visited the Authority's offices on multiple occasions and requested access to and reviewed the Authority's records. As of the date hereof, the joint audit is ongoing.

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 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 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 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 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 Bonds is exempt from personal income tax imposed by the 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 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 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 Bonds in order that interest on the 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 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 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 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 Bonds. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a 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 Bonds.

Prospective owners of the 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 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 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 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 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 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 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 Bonds under Federal or state law or otherwise prevent beneficial owners of the 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 Bonds. For example, the federal government's fiscal year 2016 budget proposed by the President recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt 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 tax-exempt bond, regardless of issue date.

Prospective purchasers of the 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, 2014, and the audited financial statements of the Government for the fiscal year ended September 30, 2014, 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." For more information on the failure of the Authority and Government to provide audited financial statements on a timely basis, see "PLAN OF DISTRIBUTION OF THE BONDS – Potential Elimination of Transfer and Resale Restrictions."

The Bonds are secured solely by the Trust Estate established under the Indenture, including amounts payable to the Authority by the Government under the Loan Note. Such amounts are to be derived, principally, from the Federal Highway Grant Revenues and the Pledged Transportation Trust Fund Revenues. The audited financial statements of the Government and the audited financial statements of the Authority do not contain detailed information regarding the Federal Highway Grant Revenues, the Pledged Transportation Trust Fund Revenues, or any information related to the Bonds. The 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 Bonds.

LEGAL OPINIONS

The validity of the 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, Yvette C. Ross-Edwards, P.C., St. Croix, 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 Standard International Group, Inc. of New York, New York, as financial advisor in connection with the issuance of the Bonds (the "Financial Advisor"). Although the Financial Advisor has assisted in the preparation of this Limited Offering Memorandum, the Financial Advisor 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 many of their obligations under such continuing disclosure undertakings. Specifically, the Authority and the Government have provided incomplete annual continuing disclosure filings and have failed to provide disclosure on a timely basis. See "PLAN OF DISTRIBUTION OF THE BONDS – Potential 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 Bonds that meets the requirements of Rule 15c2-12. See APPENDIX G – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

RATING

Standard & Poor's Ratings Services has assigned the Bonds a rating of "A" (with a stable outlook). 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 Bonds. An explanation of the procedure and methodology used by the Rating Agency and the significance of the above rating may be obtained from the Rating Agency. The above rating may be changed at any time and there is no assurance that the rating will continue for any given period of time or that the 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 the rating is likely to have an adverse effect on the market price of the Bonds.

BOND PURCHASE AGREEMENT

The Authority, Jefferies, and Bostonia have entered into a bond purchase agreement, dated December 8, 2015 (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 Bonds from certain institutional investors.

Pursuant to the Bond Purchase Agreement, Jefferies and Bostonia have agreed to pay (on a riskless principal basis, as described below) to the Authority the aggregate purchase price of the Bonds of \$100,535,410.03 (representing the \$89,880,000.00 par amount of the Bonds, plus original issue premium of \$11,475,935.65, and less Jefferies' and Bostonia's fees and other related expenses totaling \$820,525.62).

The obligation of Jefferies and Bostonia to pay for and accept delivery of any Bonds is subject to, among other things, the sale of those 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 Bonds from one or more Qualified Buyers, subject to the understanding that Jefferies' and Bostonia's roles are only that of riskless principals 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 Loan Agreement, or the Loan Note 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 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 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/ Kenneth E. Mapp
Name: The Honorable Kenneth E. Mapp
Title: Chairman

MISCELLANEOUS


In this Limited Offering Memorandum, any summaries or descriptions of provisions in the Indenture, the Loan Agreement, or the Loan Note 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.

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VIRGIN ISLANDS PUBLIC FINANCE AUTHORITY

By: 
Name: The Honorable Kenneth E. Mapp
Title: Chairman

APPENDIX A

THE FEDERAL-AID HIGHWAY PROGRAM

This APPENDIX A provides a summary of the FAHP, including the process by which the states, Puerto Rico, and U.S. Territories request and receive reimbursements from the federal government thereunder.

The principal source of payment and security for the Bonds is payments received by the VIDPW, on behalf of the Government, from the federal government under the FAHP.

The FAHP is an "umbrella" term that encompasses most of the federal programs providing highway funds to the states, Puerto Rico, and the U.S. Territories for the federal share of approved highway projects. FHWA is the federal agency within the U.S. Department of Transportation responsible for administering the FAHP. The FAHP is financed from the transportation user-related revenues deposited in the HTF. The primary source of revenues in the HTF is the federal excise taxes on motor fuels. Other taxes include excise taxes on tires, trucks and trailers, and truck use taxes.

The FAHP is a reimbursement program. Once projects are approved by FHWA and funds are obligated, the federal government makes payments to the states, Puerto Rico, and U.S. Territories for costs as they are incurred on projects, which may include debt service on obligations issued to finance a project.

Within the FAHP, Section 165 of Title 23 establishes the territorial and Puerto Rico highway program. The U.S. Territories fall within the Territorial Highway Program. The Territorial Highway Program was introduced as part of the Federal-Aid Highway Act of 1970, which, among other things, authorized assistance and funding for highway projects in American Samoa, Guam, and the Virgin Islands. The Commonwealth of the Northern Mariana Islands was added to the Territorial Highway Program in 1978.

Under the provisions of Section 165 of Title 23, funds made available for the Territorial Highway Program may be used for the construction and improvement of a system of arterial and collector highways, and necessary inter-island connectors for the following purposes: (i) eligible surface transportation projects; (ii) cost-effective preventive maintenance activities; (iii) ferry boats, terminal facilities, and approaches; (iv) engineering and economic surveys and investigations for the planning, and the financing, of future highway programs; (v) studies of the economy, safety, and convenience of highway use; (vi) the regulation and equitable taxation of highway use; and (vii) such research and development as are necessary in connection with the planning, design, and maintenance of the highway system. Territorial Highway Program funds may not, with some exceptions, be used on roads functionally classified as local or used for routine maintenance.

As provided for in Section 120(g) of Title 23, the federal share payable on account of any project under Title 23 for the U.S. Territories is 100% of the total cost of the project. FHWA determines the formula to be used when distributing such funds among the U.S. Territories. The current distribution formula established by FHWA is as follows: (i) American Samoa – 10%; (ii) Commonwealth of the Northern Mariana Islands – 10%; (iii) Guam – 40%; and (iv) Virgin Islands – 40%. Throughout this APPENDIX A, when the term FAHP is used, it is meant to include the Territorial Highway Program, unless otherwise noted.

Funding under the FAHP is provided to the states, Puerto Rico, and U.S. Territories through a multi-step funding cycle that includes: (i) multi-year authorization by Congress of the funding for various

highway programs; (ii) apportionment and/or allocation of funds to the states, Puerto Rico, and U.S. Territories each fiscal year according to statutory formulae or, for some funding categories, through administrative action; (iii) obligation of funds, which is the federal government's legal commitment (or promise) to pay or reimburse the states, Puerto Rico, and U.S. Territories for the federal share of a project's eligible costs; (iv) appropriations by Congress specifying the amount of funds available for the year to liquidate obligations; (v) program implementation, which covers the programming and authorization phases; and (vi) reimbursement by the federal government of the eligible project costs.

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

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

- The HTF: The HTF is a dedicated federal fund with dedicated revenues held in trust for reimbursement of expenditures by the states, Puerto Rico, and U.S. Territories for costs of eligible transportation projects, including highway projects.
- Authorization: "Authorization" is the process by which Congress authorizes the expenditure of federal revenues on federal programs. For the FAHP, authorization historically has been provided on a multi-year basis. This, together with the availability of HTF revenues and future HTF collections, permits the states, Puerto Rico, and U.S. Territories more certainty in planning long-term highway projects. The last multi-year authorization, MAP-21, became effective on October 1, 2012, and expired on September 30, 2014. In the periods between multi-year authorizations, Congress has used short-term authorizations to fund the FAHP. Since August 2014, Congress has enacted five short-term authorizations to provide for continued funding for the FAHP, among other things. The most recent short-term authorization, the Surface Transportation Extension Act, Part II was enacted by Congress on November 20, 2015, and extends funding for the FAHP through December 4, 2015.
- Apportionment or Allocation: For each fiscal year, FHWA apportions the authorized funding among the states according to formulas that are established in authorizing statutes. The distribution of federal funds that do not have a statutory formula is called "allocation" rather than "apportionment." Funds made available for the Territorial Highway Program are allocated to the U.S. Territories.
- Obligation Authority: "Obligation" is the commitment of the federal government to pay, through reimbursements to a state, Puerto Rico, or a U.S. Territory, its share of the eligible expenditures on an approved project. The amount of such federal revenues that a state, Puerto Rico, or a U.S. Territory can obligate in a given fiscal year is called its "Obligation Authority."
- Advance Construction: The advance construction procedure allows the states, Puerto Rico, and U.S. Territories to commence eligible projects without first having to obligate the federal government's share of expenditures. Thus, the states, Puerto Rico, and U.S. Territories may begin a project before amassing all of the Obligation Authority needed to cover the federal government's share.

- Partial Conversion of Advance Construction: Under partial conversion of advance construction, in a given year a state, Puerto Rico, or a U.S. Territory may convert advance construction to Obligation Authority and thus be eligible for reimbursement for a portion of the federal share of an advance construction project in that or in a subsequent fiscal year. This removes any requirement for the states, Puerto Rico, or a U.S. Territory to wait for reimbursements until the full amount of Obligation Authority needed for the entire project is available.

These features of the FAHP work in a complementary fashion to provide a regular flow of federal reimbursements over the years to federally-approved projects. The Virgin Islands' participation in the FAHP and the role of such participation in providing payment and security for the Bonds are discussed in "PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM."

The terms and conditions of participation in the FAHP are subject to change at the discretion of Congress. There can be no assurance that the laws and regulations now governing the FAHP will not be changed in the future in a manner that may adversely affect the ability of the Virgin Islands to receive federal aid revenues sufficient to enable the Authority to pay debt service on the Bonds. The current short-term authorization for the FAHP provides for funding through December 4, 2015. As described in this Limited Offering Memorandum, if there are any changes to the FAHP that adversely affect the ability of the Virgin Islands to receive Federal Highway Grant Revenues sufficient to enable the Authority to pay debt service on the Bonds, the funds in the Debt Service Reserve Fund will be available to pay such debt service. The Debt Service Reserve Fund is further secured by the Pledged Transportation Trust Fund Revenues; provided, however, that the Indenture provides that the lien on and security interest in the Pledged Transportation Trust Fund Revenues is only available as security for the Bonds to replenish the Debt Service Reserve Fund in order to maintain the Debt Service Reserve Requirement. For more information on the security and source of payment for the Bonds, see "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authorization

Distribution of assistance from the HTF is subject to periodic authorization and annual appropriation by Congress. Since such assistance was established by the Federal-Aid Highway Act of 1956, the FAHP has been reauthorized numerous times in various forms at generally increasing funding levels. Actual payments under the FAHP have continued without interruption since 1956.

Following a number of multi-year authorizations, TEA-21 was enacted in 1998 and authorized programs over the six-year period from fiscal year 1998 through 2003. SAFETEA-LU became law on August 10, 2005, and authorized programs over the four-year period from fiscal year 2006 through 2009. MAP-21, the last multi-year authorization, was signed into law on July 6, 2012, and extended SAFETEA-LU through the end of fiscal year 2012. MAP-21 authorized funding for the FAHP of approximately \$37.5 billion for fiscal year 2013 and \$37.8 billion for fiscal year 2014. MAP-21 also continues to allocate funds for the Territorial Highway Program and authorizes funding for such program in the amount of \$40 million for fiscal year 2013 and fiscal year 2014. MAP-21 expired on September 30, 2014, and has been extended by Congress in short-term authorizations.

In the periods between multi-year authorizations, Congress has used short-term authorizations to fund the FAHP. Since August 2014, Congress has enacted five short-term authorizations to provide for continued funding for the FAHP, among other things. The Highway and Transportation Funding Act of 2014 and the Highway and Transportation Funding Act of 2015 provided extensions of the funding for the FAHP through May 31, 2015, and July 31, 2015, respectively. In July 2015, Congress enacted the Surface Transportation and Veterans Health Care Choice Improvement Act, which extended funding for

the FAHP through October 29, 2015. On October 29, 2015, Congress enacted the Surface Transportation Extension Act to extend funding for the FAHP through November 20, 2015. On November 20, 2015, Congress enacted the Surface Transportation Extension Act, Part II to extend funding for the FAHP through December 4, 2015. The Surface Transportation Extension Act, Part II, among other things, continues funding for the FAHP at pro-rated fiscal year 2014 levels as set forth in MAP-21. In addition to the foregoing short-term extensions, Congress is considering a number of proposed multi-year authorization bills to continue funding for the FAHP.

Although in the past Congress has enacted short-term authorizations of the FAHP upon the expiration of the then-current authorization legislation, there can be no assurance that any such short-term authorizations (or any multi-year authorizations) will be enacted upon the expiration of the Surface Transportation Extension Act, Part II or any subsequent authorization of the FAHP.

Federal Highway Trust Fund

General. The HTF provides the primary funding for the FAHP. Funded by a collection of federally-imposed motor vehicle user fees, primarily fuel taxes, the HTF is a fund established by law to hold dedicated highway-user revenues that are used for reimbursement of the costs of eligible transportation projects under the FAHP (which may include debt service on obligations issued to finance an Approved Project). The HTF is composed of two accounts: the Highway Account, which funds highway and intermodal programs, and the Mass Transit Account. The Highway Account receives approximately 84% of gasoline tax revenues and 88% of diesel fuel revenues, with the remaining share of such revenues deposited in the Mass Transit Account. The table below shows the types of taxes deposited into the HTF and the current tax rates that are in effect.

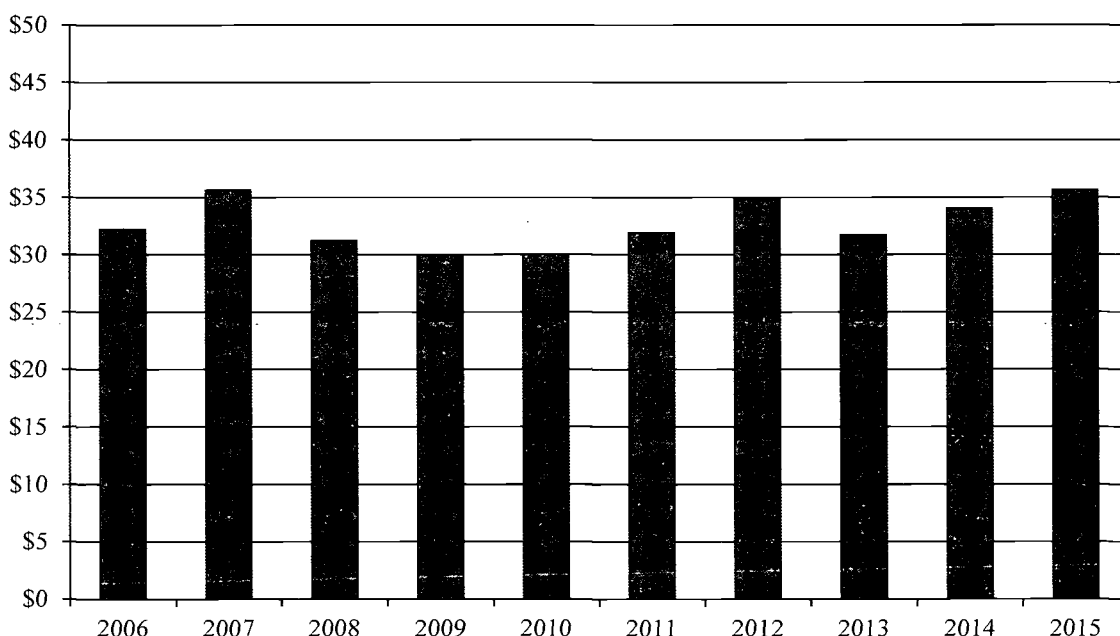
TABLE A-1. CURRENT TAX RATES FOR TAXES DEPOSITED INTO THE HIGHWAY TRUST FUND

Motor Fuels	
Gasoline	18.4 cent per gallon
Diesel	24.4 cents per gallon
Gasohol	18.4 cent per gallon
Special Fuels:	
General rate	18.4 cents per gallon
Liquefied petroleum gas	18.3 cents per gallon
Liquefied natural gas	24.3 cents per gallon
M85 (from natural gas)	18.4 cents per gallon
Compressed natural gas	18.3 cents / 126.67 cubic feet
Tires (maximum rated load capacity)	
0-3,500 pounds	No tax
Over 3,500 pounds	9.45 cents per each 10 pounds in excess of 3,500 pounds
Other Taxes	
Truck and Trailer Sales	12 percent of retailer's sales price for tractors and trucks over 33,000 pounds gross vehicle weight ("GVW") and trailers over 26,000 pounds GVW.
Heavy Vehicle Use	Annual tax: Trucks 55,000 pounds and over GVW, \$100 plus \$22 for each 1,000 pounds (or fraction thereof, in excess of 55,000 pounds). Maximum tax: \$550.

The imposition of the taxes that are dedicated to the HTF, as well as the authority to place the taxes in the HTF and to spend moneys from the HTF, all have expiration dates, which must be extended periodically. The life of the HTF has been extended several times since its inception. Most recently, MAP-21 extended the imposition of the highway-user taxes at the above rates and the deposit of such taxes into the HTF through September 30, 2016. The HTF is required to maintain a positive balance to ensure that prior commitments for distribution of federal revenues can be met.

The following table shows annual HTF collections in the Highway Account for fiscal year 2006 through fiscal year 2015.

**TABLE A-2. RECEIPTS INTO THE HIGHWAY ACCOUNT OF THE HIGHWAY TRUST FUND
FEDERAL FISCAL YEARS 2006-2015⁽¹⁾**
(\$ billions)



Source: The information for fiscal years 2006-2007 was obtained from "Status of the Federal Highway Trust Fund - Fiscal Years 1957- 2010" (Table FE-210) (<http://www.fhwa.dot.gov/policyinformation/statistics/2010/pdf/fe210.pdf>). The information for fiscal years 2008-2015 was obtained from "Status of the Highway Trust Fund" (Table FE-1) (http://www.fhwa.dot.gov/highwaytrustfund/docs/fe-1_sep15.pdf).

- (1) In addition to the data provided in the table above, the federal government has transferred additional amounts from the federal general fund into the Highway Account of the HTF in the following amounts: (i) in fiscal year 2008, approximately \$8.0 billion was transferred; (ii) in fiscal year 2009, approximately \$7.0 billion was transferred; (iii) in fiscal year 2010, approximately \$14.7 billion was transferred; (iv) in fiscal year 2013, \$6.2 billion was transferred (with \$316.2 million sequestered); (v) in fiscal year 2014, \$10.4 billion (with \$748.8 million sequestered) and \$7.765 billion was transferred; and (vi) in fiscal year 2015, \$6.068 billion was transferred. Also, in fiscal year 2012 and fiscal year 2014, approximately \$2.4 billion and \$1.0 billion were transferred from the Leaking Underground Storage Tank Trust Fund into the HTF. None of the foregoing amounts are reflected in the table above.

As of September 30, 2015, there was approximately \$9.04 billion on deposit in the Highway Account. By way of comparison, there was approximately \$11.38 billion on deposit in the Highway Account as of September 30, 2014.

Recent Developments on the HTF. In June 2015, a representative of the Congressional Budget Office (“CBO”) testified before the United States Senate Committee on Finance and noted the following regarding the HTF:

- **HTF Balances.** For several decades, the HTF’s balances were stable or growing, but more recently, annual spending for highways and transit has exceeded the amounts credited to the HTF from taxes collected on gasoline, diesel fuel, and other transportation-related products and activities. Since 2008, \$65 billion has been transferred from the U.S. Treasury’s general fund to the HTF so that obligations to be paid therefrom could be met in a timely manner. Current projections indicate that balances in the HTF will be insufficient to meet obligations beginning in fiscal year 2016.
- **Reduced Spending.** Lawmakers could chose to address projected shortfalls by cutting spending and not authorizing new obligations to be paid from the Highway Account in fiscal year 2016 and the Mass Transit Account for fiscal years 2016 and 2017. Under such a scenario, over the 2016–2025 period, the Highway Account’s authority to obligate funds would decrease by approximately one-third and the Mass Transit Account’s authority to obligate funds would decrease by approximately two-thirds, compared with CBO’s baseline projections.
- **Raising Revenue.** Revenues credited to the HTF could be increased. This could be accomplished by (i) raising existing taxes on motor fuels or other transportation-related products and activities, (ii) imposing new taxes on highway users, such as VMT taxes, or (iii) imposing taxes on activities unrelated to transportation. If lawmakers choose to meet obligations projected for the HTF by raising revenues, motor fuel taxes would need to increase by approximately 10 cents per gallon, starting in fiscal year 2016.
- **General Fund Transfers.** Lawmakers could maintain funding for surface transportation programs at the average amounts provided in recent years, but to do so they would need to transfer from the federal general fund \$3 billion before the end of fiscal year 2015 and between \$11 billion and \$22 billion every year thereafter through 2025. Most recently, in July 2015 pursuant to the Surface Transportation and Veterans Health Care Choice Improvement Act, Congress authorized the transfer of \$8.1 billion from the federal general fund to the HTF to address projected shortfalls. Of such amount, \$6.1 billion was transferred to the Highway Account and \$2.0 billion was transferred to the Mass Transit Account. For more information on transfers into the Highway Account of the HTF, see Table A-2 and footnote 1 thereto.

In an October 21, 2015 letter to the Chairman of the House of Representatives Committee on Transportation and Infrastructure, the CBO provided an update on the status of the HTF. The CBO stated that “[d]uring fiscal year 2016, [the] CBO projects revenues credited to the [HTF] will be insufficient to meet the fund’s obligations.” In that letter, the CBO projected that the Highway Account will have a shortfall of \$1 billion in fiscal year 2016, which shortfall is expected to grow to \$108 billion by fiscal year 2025. The CBO also projected that the Transit Account will have a shortfall of less than \$1 billion in fiscal year 2016, which shortfall is expected to grow to \$40 billion by fiscal year 2025. These projections were based on CBO assumptions that funding for programs financed by the HTF in future years would continue at the level that Congress provided in fiscal year 2015 (approximately \$50 billion adjusted for inflation).

The comments by the CBO and past legislative actions by Congress indicate that additional legislative action will be required to address the HTF's future funding, including a possible increase in fuel taxes, a variety of new taxes (including a tax on VMT), and other funding sources for the HTF.

Federal-Aid Funding Procedures

The FAHP continues to enable the construction of an extensive national transportation system through reimbursement of a large percentage of expenditures for approved highway projects in the states, Puerto Rico, and U.S. Territories. The financial assurance provided by the FAHP is unusual among federal programs in that:

- (i) the FAHP is funded by dedicated revenues, from a user-tax source, deposited in a special trust fund (the HTF);
- (ii) the contract authority of FHWA is established by a multi-year authorization act rather than through annual appropriation acts; and
- (iii) contract authority is not at risk during the annual appropriations process (as budget authority is in most other federal programs), although an appropriations act is required in order to liquidate obligations.

The following summarizes the major steps in funding the FAHP.

Authorization. The first step in funding the FAHP was the development and enactment of authorizing legislation. Authorizing legislation for highways began with the Federal-Aid Road Act of 1916 and the Federal Highway Act of 1921. These acts provided the foundation for the FAHP as it exists today. Since that time, the FAHP has continued through the passage of multi-year authorization acts (or short-term extensions of such authorization acts). Since 1978, Congress has passed highway legislation as part of larger, more comprehensive, multi-year surface transportation acts. There is no guarantee, however, that authorization of the FAHP will occur on a multi-year basis. The authorization act not only shapes and defines programs, but also sets upper limits on the funding for programs and includes provisions related to the operation of the HTF.

Though federal surface transportation legislation has historically been authorized for four to six years at a time, there have been periods in which the authorizing legislation had expired and a multi-year authorization was yet to be enacted. In such circumstances, Congress and/or FHWA have found ways to avoid disruptions to the FAHP. Two mechanisms in particular have kept revenues flowing: (i) providing the states, Puerto Rico, and U.S. Territories with the ability to utilize unobligated balances of federal aid funds and (ii) extending the most recently expired multi-year authorization statute with interim authorization measures until new legislation is enacted. **Although these measures have been enacted by Congress and/or FHWA in the past, no assurance can be given that such measures would or could be enacted in the future to maintain the flow of federal-aid funding upon termination of an authorization period.**

For more information on the authorization of the FAHP, see "GENERAL OVERVIEW OF THE FEDERAL-AID HIGHWAY PROGRAM – Authorization of the Federal-Aid Highway Program" and "CERTAIN BONDHOLDER RISKS – Factors Affecting Federal Highway Grant Revenues – *Federal Authorization and Changes in Law.*"

Once Congress has established authorizations, the next step involves how funds are made available to the states, Puerto Rico, and U.S. Territories. Typically, federal programs operate using

appropriated budget authority, which means that funds, although authorized, are not available until passage of an appropriations act. However, most programs within the FAHP do not require this two-step process. Through what is termed “contract authority” (a special type of budget authority), authorized amounts become available for obligation according to the provisions of the authorization act without further legislative action. For the FAHP, funds authorized for a fiscal year are available for distribution through apportionments or allocations. The use of contract authority gives the states, Puerto Rico, and U.S. Territories advance notice of the level of federal funding at the time an authorization act is enacted, eliminating much of the uncertainty associated with the authorization-appropriation sequence.

Apportionment and Allocations. For most components of the FAHP, the authorization act provides for the distribution of contract authority to be apportioned and/or allocated to the states, Puerto Rico, and U.S. Territories. The funds available for the Territorial Highway Program are distributed to the U.S. Territories according to the following distribution formula: (i) American Samoa – 10%; (ii) Commonwealth of the Northern Mariana Islands – 10%; (iii) Guam – 40%; and (iv) Virgin Islands – 40%. For more information on the funding levels provided to the Virgin Islands under the FAHP for fiscal years 2006-2015, see “PARTICIPATION IN THE FEDERAL-AID HIGHWAY PROGRAM” and Table 5 therein.

FAHP funding is available to the states, Puerto Rico, and U.S. Territories for use for more than one year. Their availability does not terminate at the end of the fiscal year, as is the case with most other federal programs. Funds under the Territorial Highway Program are available for obligation for a period of three years after the last day of the fiscal year for which the funds are authorized. As such, funds under the Territorial Highway Program are available for obligation for four years.

Obligation. When a project is approved by FHWA and a project agreement is executed, FHWA is then obligated to pay, through reimbursement to a state, Puerto Rico, or a U.S. Territory, the federal share of an approved project’s eligible costs. An obligation is a legal commitment, or promise, made by the federal government. Eligible costs may include debt service on obligations issued to finance a project. This obligation process allows the states, Puerto Rico, and U.S. Territories to award contracts with the assurance that the federal government will reimburse its share of incurred costs.

Obligation Ceiling. Most of the FAHP does not receive budget authority through appropriations acts as do most other federal programs. Congressional appropriations committees use federal-aid highway revenues that the states, Puerto Rico, and U.S. Territories can obligate in a given year (Obligation Authority) as a means of balancing the annual level of highway spending with other federal budget priorities. Congress may, therefore, place a restriction or “ceiling” on the amount of federal assistance that may be obligated during a specified time period. This so-called “obligation ceiling” is the amount of authorized funding that Congress allows the states, Puerto Rico, and U.S. Territories to obligate in a single year. This is a statutory budgetary control that does not affect the apportionment or allocation of funds. Rather, it controls the rate at which these funds can be used, and, in effect, can limit the amount of funds that can be used.

Although a ceiling on obligations restricts how much funding may be used in a fiscal year, generally a state, Puerto Rico, or a U.S. Territory has flexibility within the overall limitation to transfer among certain highway programs, as long as it does not exceed the ceiling in total. Generally, the unobligated balance of apportionments or allocations that the states, Puerto Rico, and U.S. Territories have remaining at the end of any fiscal year is carried forward into subsequent fiscal years and is available for use, contingent upon the availability of Obligation Authority issued in each year. Generally, if a state, Puerto Rico, or a U.S. Territory does not obligate a particular year’s funding within the period of availability, the authority to obligate any remaining amount lapses.

Redistribution. The funds available under the Territorial Highway Program are subject to the annual obligation limitation imposed on the FAHP and are subject to redistribution in August of each fiscal year. Any funds available under the Territorial Highway Program that cannot be obligated by the end of the fiscal year are withdrawn in August and the Obligation Authority will be distributed to the states. Such funds and carryover Obligation Authority will be returned to the U.S. Territories in the following fiscal year if such funds have not lapsed.

Rescission. Rescission refers to legislation enacted by Congress that cancels budget authority previously enacted before the authority would otherwise expire. In recent fiscal years, Congress has taken action to reduce (i.e., permanently cancel) unobligated balances of previously authorized FAHP funds by issuing certain rescissions. Once the funds are eliminated, they cannot be obligated.

Lapsing of Authorization. All federal programs must be authorized through enacted legislation that defines the programs and establishes maximum funding levels, and for most programs annual appropriations acts are necessary in order to create budget authority. For most federal domestic discretionary programs, a lapsed authorization may have little or no effect on a program, so long as revenues are appropriated. For the FAHP, the consequences of lapsed authorization are somewhat different. While Congress may pass interim legislation, the existence of contract authority and a dedicated revenue stream means that FHWA usually can continue to provide Obligation Authority by administrative action.

Project Approval – Territorial Highway Program Implementation. In order to receive federal reimbursements for transportation projects under the Territorial Highway Program, a U.S. Territory must enter into an agreement with FHWA providing that the government of the U.S. Territory will (i) implement the Territorial Highway Program in accordance with applicable provisions of Title 23, (ii) design and construct a system of arterial and collector highways, including necessary inter-island connectors, in accordance with standards that are appropriate for the U.S. Territory and approved by FHWA, (iii) provide for the maintenance of facilities constructed or operated under the this Territorial Highway Program in a condition to adequately serve the needs of present and future traffic, and (iv) implement standards for traffic operations and uniform traffic control devices that are approved by FHWA.

These agreements, commonly referred to as “Stewardship and Oversight Agreements,” also (i) specify the kind of technical assistance to be provided, (ii) include appropriate provisions regarding information sharing among the U.S. Territories, and (iii) delineate the oversight role and responsibilities of the territories and FHWA. Stewardship and Oversight Agreements also identify the sections of Title 23 that are applicable to a U.S. Territory and the extent of the applicability of those sections. Such agreements are generally reevaluated and revised, as necessary, approximately every two (2) years. For more information on the Virgin Islands Stewardship and Oversight Agreement, see “GENERAL OVERVIEW OF THE FEDERAL-AID HIGHWAY PROGRAM – General.”

The states, Puerto Rico, and U.S. Territories are required to follow federal fiscal management procedures as they implement projects under the FAHP. These fiscal management processes ensure that the process is managed efficiently from project authorization to actual payment of FHWA reimbursements to the states, Puerto Rico, and U.S. Territories. Further, the states, Puerto Rico, and U.S. Territories are required to use a detailed accounting system to track project expenditures and reimbursements. In addition, a federal system tracks payments to the states, Puerto Rico, and U.S. Territories.

The states, Puerto Rico, and U.S. Territories may request FHWA approval for eligible projects either through the traditional process or through the advance construction procedure as discussed below:

(a) **Traditional Approach.** Under the traditional highway funding approach, FHWA approves the full federal share of the funding for a project at the beginning of the project, concurrent with project authorization. The first step in the fiscal management process begins with a request to use federal funds on a project. The project sponsor submits plans, specifications, and estimates (“PS&E’s”) for a project to the FHWA Division Office, and requests that FHWA approve the use of federal funding for the appropriate federal share of the project. The project must be in the state transportation improvement program or the territory transportation improvement plan, as applicable, and PS&Es must identify the category of federal funding that will be used.

FHWA evaluates the PS&Es to ensure that the project is eligible for federal funding and meets a variety of federal requirements. Provided that all requirements are satisfied, FHWA authorizes federal participation on the project, and obligates the federal share of project costs. By obligating the funds, FHWA makes a commitment to reimburse the federal share of eligible project costs. It sets aside the appropriate amount of the Obligation Authority of the state, Puerto Rico, or U.S. Territory, and also sets aside an equivalent amount of apportioned or allocated funds by program. Accordingly, the states, Puerto Rico, and U.S. Territories must have sufficient Obligation Authority to cover the level of federal participation it is requesting.

Once authorization for a project has been obtained, the state, Puerto Rico, or U.S. Territory advertises the project and receives bids. The state, Puerto Rico, or U.S. Territory will award the contract to the lowest responsive bidder and submits a modified agreement to FHWA requesting any necessary adjustments to federal funding to reflect the actual bid amount. The project agreement identifies the funds that are estimated to be expended by the state and the amount that will be reimbursed by the federal government.

(b) **Advance Construction Approach.** FHWA has also implemented several fiscal management techniques that provide the states, Puerto Rico, and U.S. Territories additional flexibility in managing their Obligation Authority and cash flow, including advance construction and partial conversion of advance construction.

The advance construction approach for authorizing projects allows the states, Puerto Rico, and U.S. Territories to finance projects that are eligible for federal aid without obligating the full federal share of costs at the beginning of the project. This allows the states, Puerto Rico, and U.S. Territories to begin a project before accumulating all of the Obligation Authority needed to cover the federal share of the project. Similar to the traditional approach, the state submits PS&Es to FHWA and requests project authorization. Under advance construction, however, FHWA is asked to authorize the project without obligating federal funds. The states, Puerto Rico, and U.S. Territories will provide the up-front financing for the project and then at a later date “convert” the advance construction project to a regular federal project and obligate the full federal share of the project costs, when sufficient Obligation Authority is available. At the time of conversion, the states, Puerto Rico, and U.S. Territories can be reimbursed for the federal share of costs incurred up to the point of conversion.

Partial conversion of advance construction is a form of advance construction in which the states, Puerto Rico, and U.S. Territories convert, obligate, and receive reimbursement for only a portion of their funding of an advance construction project in a given year. This removes any requirement to wait until the full amount of Obligation Authority for the project is available. A state, Puerto Rico, or a U.S. Territory can therefore obligate varying amounts for the project’s eligible cost in each year, depending on

how much of the Obligation Authority is available. Using the technique to partially convert the federal share makes bond and note financing more viable and federal-aid funds available to support a greater number of projects.

Reimbursement. The FAHP is a reimbursement program. As work progresses on a federal-aid highway project, a state, Puerto Rico, or U.S. Territory will pay the contractor for completed work from available local funds. The state, Puerto Rico, or U.S. Territory electronically transmits vouchers for the federal share of completed work and certifies to FHWA that the claims for payment are in accordance with the terms of the project agreements, and applicable local and federal laws or regulations. After review and approval by the FHWA Division Office, payment is scheduled for the date requested by the state, Puerto Rico, or U.S. Territory. Payment is transferred directly from a federal reserve bank to the financial institution account of the state, Puerto Rico, or U.S. Territory by wire transfer, and is generally scheduled to be made within two days of the submission of the electronic bill by the state, Puerto Rico, or U.S. Territory.

U.S. Treasury Offset Program. The TOP is administered pursuant to the Debt Collection Improvement Act of 1996 and the regulations related thereto. The TOP requires the U.S. Treasury and other disbursing agencies to collect delinquent debts owed to the United States. Under the TOP, if a "person" is in debt to the United States, then federal agency payments may be offset through the TOP by the amount of the debt owed and up to the amount of the scheduled payment. "Person" is defined to include a state or local government. Administrative offset under the TOP is precluded only when another law specifically prohibits the offset. Payments of Federal Highway Grant Revenues from FHWA to the Government could be subject to the TOP if the Government owes any delinquent debts to the United States. In the last five years, no payments from FHWA to the Government have been delayed or withheld as a result of the TOP.

Budget Matters and Sequestration. In September 2012, OMB issued a report pursuant to the Sequestration Transparency Act of 2012 on the consequences of sequestration for governmental operations. A mandate of the Budget Control Act of 2011 requires, among other things, a reduction for certain non-exempt defense discretionary programs, which began in 2013. However, payments made from the HTF, such as those made to fund the FAHP, were not included in the sequestration process and are exempt from such reductions. While payments made from the HTF are not included in sequestration, certain transfers into the HTF from the federal general fund are subject to sequestration. For more information on transfers into the Highway Account of the HTF and any sequestered amounts, see Table A-2 and footnote 1 thereto.

Special Federal Provisions Relating to Debt-Financed Projects

The National Highway System Designation Act of 1995 (the "NHS Act") made several changes affecting the financing of federal-aid highway projects. Section 311 of the NHS Act significantly expanded the eligibility of bond, notes and other debt instrument financing costs for federal-aid reimbursement. These changes to the FAHP were codified in Section 122 of Title 23. Under Section 122, various debt-related costs became eligible for reimbursement, including principal and interest payments, issuance costs, insurance, and other costs related to a financing.

FHWA has issued guidelines for debt-financed projects. Key provisions of these guidelines are as follows:

- The project must be approved as a federal-aid, debt-financed (bond, certificate, note or other debt instrument) project in order to receive payments for eligible debt-related costs under

Section 122 of Title 23. Once a project is selected for debt financing, the project is submitted to the appropriate FHWA Division Office for approval as an advance construction project under Section 115 of Title 23. This designation ensures that the project will follow federal-aid procedures and will preserve the eligibility to reimburse debt-related costs through future federal-aid fund obligations.

- Debt-financed projects are subject to requirements of the Federal Clean Air Act and federal air quality conformity requirements.
- When the project agreement is signed, the state, Puerto Rico, or a U.S. Territory may elect to seek reimbursement for debt service and/or related issuance costs in lieu of reimbursement for construction costs. If such an election is made, a debt service schedule will be included in the project agreement. When multiple projects are funded with the proceeds of a debt issue, each project will be assigned a prorated share of the debt-related costs.
- To comply with the intent of the fiscally constrained planning process, the federal share of the debt-related costs anticipated to be reimbursed with federal-aid funds over the life of the debt obligations should be designated as advance construction. The planned amount of federal-aid reimbursements (advance construction conversion) should be included in the state transportation improvement program or the territory transportation improvement plan, as applicable, in accordance with FHWA procedures.
- Periodic debt service payments (federal-aid reimbursements) on the debt obligations would represent partial conversions of designated advance construction amounts to federal aid. A state, Puerto Rico, or a U.S. Territory can obligate such federal aid annually over the life of the permanent financing or a state, Puerto Rico, or a U.S. Territory can make the conversion in one lump sum upon completion to help take out construction financing. This would follow the normal procedures for conversion of an advance construction project.
- A state, Puerto Rico, or a U.S. Territory may seek federal-aid reimbursements for eligible debt-related costs as the costs are incurred. Issuance costs, debt service payments, and incidental costs represent costs incurred that may be reimbursed with federal-aid funds to the extent such costs are deemed eligible.
- A state, Puerto Rico, or a U.S. Territory may make arrangements with FHWA Division Office regarding the procedures under which it would submit a billing to FHWA for debt-related costs. A request for debt service payment can be timed so that reimbursements could be received shortly before the debt service payment due date.
- A state, Puerto Rico, or a U.S. Territory may designate a trustee or other depository to receive federal-aid debt service payments directly from FHWA.

APPENDIX B

GLOSSARY OF CERTAIN DEFINED TERMS

The following sets forth the definitions of certain terms used in the Indenture, Loan Agreement, and elsewhere in this Limited Offering Memorandum, including APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE and APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT. Capitalized terms used but not defined herein shall have the meanings set forth in the forepart of this Limited Offering Memorandum.

Act of Bankruptcy means (i) the entity under consideration has 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 has 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 has been filed against such entity and has not 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 has 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 has continued unstayed and in effect for any period of 60 consecutive days; or (viii) such entity has suspended the transaction of its usual business.

Administrative Fee means the amount to be transferred from the Expense Account to the Authority to pay the Authority's expenses in accordance with the Memorandum of Understanding.

Annual Debt Service means, as of any date of calculation with respect to a specified Bond Year, Debt Service payable for the Bonds in the respective Bond Year.

Authorized Officer means the Director of Finance and Administration, Executive Director or Chairman of the Authority or the Commissioner of the Department of Public Works or any other person authorized by the Authority or the Department of Public Works to perform an act or sign a document on behalf of the Authority or the Department of Public Works, as applicable, for purposes of the Indenture.

Bond or **Bonds** means the Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2015 or any refunding bonds, issued pursuant to a Supplemental Indenture.

Bond Counsel means an attorney or firm of attorneys of 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 other entity appointed as Bond Registrar pursuant to the Indenture.

Bond Related Charges means Debt Service, any amount required to be paid for the replenishment of the Project Accounts or the Debt Service Reserve Fund pursuant to the Indenture and any Bond Related Costs.

Bond Related Costs means (i) initial and acceptance fees of any Fiduciary, any fees of Bond Counsel, attorneys, feasibility consultants, engineers, financial advisors, rebate consultants, accountants and other advisors retained by the Authority in connection with the Bonds, (ii) the Administrative Fee, and (iii) any other fees, charges and expenses that may be lawfully incurred by the Authority relating to the Bonds, including, without limitation, any Rebate Amount, any obligation of the Authority to a Debt Service Reserve Fund Credit Provider for the Bonds to repay or reimburse any amounts paid pursuant to such Debt Service Reserve Fund Credit Facility and any interest on such repayment obligation.

Bond Year means 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.

Borrower means the Government of the United States Virgin Islands.

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 or banking institutions organized under the laws of the United States are legally authorized to close.

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

Capitalized Interest Account means the Account by that name in the Debt Service Fund established pursuant to the Indenture.

Code means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a Code section in this APPENDIX B is deemed to include the Treasury Regulations proposed or in effect thereunder and applicable to the Bonds.

Completion Certificate means, with respect to each of the Approved Projects, a certificate executed by the Authority and delivered to the Trustee in accordance with the Indenture.

Construction Fund means the Fund of that name established pursuant to the Indenture.

Corporate Trust Office means the designated corporate trust office of the Trustee in which the Indenture is principally administered, which office is, as of the date of the Indenture, located at 10161 Centurion Parkway, Jacksonville, Florida 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 is 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.

Costs 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 the Bonds which items of expense 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 and its counsel initial fees and charges of Debt Service Reserve Fund Credit Providers; 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 the Bonds; and other administrative or other costs of issuing, carrying and repaying such Bonds and investing the proceeds thereof.

Costs of Issuance Fund means the Fund of that name established pursuant to the Indenture.

Counsel's Opinion means an opinion signed by Bond Counsel (who may be counsel to the Authority) selected by the Authority and reasonably satisfactory to the Trustee.

Debt Service means for any applicable time or date, principal of, premium, if any, and interest payments due on the Bonds accruing for that period or due and payable on that date, as well as any Mandatory Sinking Fund Requirements accruing for that period or due on that date.

Debt Service Fund means the fund by the name established pursuant to the Indenture.

Debt Service Reserve Fund means the fund by that name established pursuant to the Indenture.

Debt Service Reserve Fund Credit Account means an account by that name in the Debt Service Reserve Fund established pursuant to the Indenture.

Debt Service Reserve Fund Credit Facility means a letter of credit, surety bond, insurance policy or comparable instrument furnished by a Debt Service Reserve Fund Credit Provider which is rated in one of the three highest Rating Categories by the Rating Agency rating the Bonds and deposited to the Debt Service Reserve Fund to satisfy all or any portion of the Debt Service Reserve Requirement.

Debt Service Reserve Fund Credit Provider means a bank, insurance company, financial institution or other entity providing a Debt Service Reserve Fund Credit Facility.

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"; and

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

(a) the municipal obligations (1) are not subject to redemption prior to maturity or (2) 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;

(b) 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;

(c) 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;

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

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

Department of Public Works means the United States Virgin Islands Department of Public Works established pursuant to Title 3, Chapter 9 of the Virgin Islands Code, as amended and supplemented.

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

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

Federal Fiscal Year means October 1 through the following September 30 of each year.

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, escrow agent or any or all of them, as may be appropriate.

Final Completion means the date upon which the Approved Projects have been finally completed.

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

Fitch means Fitch, Inc., or any successor thereof which qualifies as a Rating Agency under the Indenture.

Funds and Accounts means those funds and accounts specified in the Indenture.

Interest Account means the Account by that name established pursuant to the Indenture.

Interest Payment Date means each March 1 and September 1 through and including the maturity date for the payment of interest on the Bonds.

Interest Payment Period means, if prior to the first Interest Payment Date, the period from but not including the date specified in the Indenture as the date for commencement of accrual of interest on the Bonds and after the first regularly scheduled Interest Payment Date means the period from but not including a regularly scheduled Interest Payment Date, in each case to and including the next regularly scheduled Interest Payment Date.

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 Indenture.

Moody's means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns.

Outstanding Bonds, Bonds Outstanding and Bonds then Outstanding means as of the date of determination, the Bonds theretofore issued and delivered under the Indenture except:

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

(ii) Bonds for which payment or redemption moneys or securities (as provided in the Indenture) has 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 is required to be duly given pursuant to the Indenture or irrevocable action has been taken to call such Bonds for redemption at their stated redemption date;

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

(iv) 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 provision of the Indenture and any Supplemental Indenture in determining whether the Owners of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver, the Bonds owned by the Authority are to be disregarded and deemed not to be Outstanding Bonds, except that in determining whether the Trustee is protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned are to be disregarded.

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

Paying Agent means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, designated as paying agent under the Indenture, and its successor or successors appointed in the manner provided in the Indenture.

Payment Date means an Interest Payment Date or Principal Payment Date.

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 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 the 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 is required to 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 as determined by such bank, savings and loan association or trust company which is a party to such repurchase agreement, 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 is required to 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) it is rated in one of the two highest Rating Categories as designated by 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, as determined by such insurance company or financial institution which is a party to such investment agreement, 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, (5) such agreement provides 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 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 one of the two highest short-term rating categories by any Rating Agency then rating the Bonds and maturing no more than 360 days after the date of purchase and such 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 or claims of third parties; (3) such collateral has a market value, as determined by such domestic commercial bank or depository bank which holds such certificate of deposit; 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 provides 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 one of the two highest rating categories by any Rating Agency then rating the Bonds including money market funds sponsored by the Authority; and

(xi) Commercial Paper issued by U.S. Corporations which is rated at the time of purchase in one of the two highest short-term rating category by any Rating Agency then 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 group of legal entities.

Pledged Revenue Fund means the Federal Transportation and Highway Grant Escrow Account established pursuant to the Indenture.

Principal Account means the account by that name in the Debt Service Fund 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 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 for the Bonds, each September 1 through and including the maturity date for such Bonds.

Project Accounts mean, collectively, the respective Project Accounts of the Construction Fund established pursuant to the Indenture.

Rating Agency means Moody's, S&P and Fitch or any other nationally-recognized securities rating agency designated by the Authority by written notice to the Trustee.

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 Amount means the amount to be deposited to the Rebate Fund pursuant to the Tax Regulatory Agreement.

Rebate Fund means the Rebate Fund established and maintained pursuant to the Indenture.

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

Redemption Account means the account by that name in the Debt Service Fund established pursuant to the Indenture.

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 or the Indenture.

Responsible Officer means, when used with respect to the Trustee, any officer within the corporate trust department of the Trustee, including any vice president, assistant vice president, assistant secretary, assistant treasurer, trust officer or any other officer of the Trustee who customarily performs

functions similar to those performed by the Persons who at the time are such officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and who has direct responsibility for the administration of the Indenture.

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

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.

Sinking Fund Installment means an amount so designated pursuant to the Indenture.

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

Tax Regulatory Agreement means, the Arbitrage and Use of Proceeds Certificate dated as of December 15, 2015, executed and delivered by the Authority and the Government, relating to the requirements of Sections 148 and 103 of the Code for exemption of interest on the Bonds from federal income tax, as the same may be supplemented and amended.

Term Bonds means Bonds which are designated in the Indenture as Term Bonds and subject to scheduled Mandatory Sinking Fund Requirements prior to maturity.

Transfer Date means not later than the third Business Day preceding the next Payment Date.

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 also refers to any successor provision to such section promulgated by the Internal Revenue Service pursuant to the Code and applicable to the Bonds.

Trust Estate means, collectively, all right, title and interest of the Authority in, to and under, subject to the terms and conditions of the Indenture, each and all of the following:

- (a) the Federal Highway Grant Revenues;
- (b) subject to the limitations set forth in the Indenture, the Transportation Trust Fund and the Pledged Transportation Trust Fund Revenues;
- (c) the Loan Agreement and the Loan Note, and the proceeds and collections therefrom, and the present and continuing rights (i) to make claim for, collect or cause to be collected, receive or cause to be received, all revenues, receipts and other sums of money payable or received thereunder, (ii) to bring actions and proceedings thereunder or for the enforcement thereof, and (iii) to do any and all things the Authority is or may become entitled to do under the Loan Agreement; provided that the assignment made by this clause does not include any assignment of any obligation of the Authority under the Loan Agreement or any right of the Authority thereunder as to indemnification or reimbursement of costs and expenses;
- (d) amounts on deposit in the Funds and Accounts created pursuant to the Indenture, including the interest and investment earnings thereon, subject to the provisions of the Indenture permitting or restricting the application thereof for the purposes and on the terms and conditions set forth therein, provided that amounts on deposit in the Interest Account, Principal Account and the Redemption

Account of the Debt Service Fund, in the Debt Service Reserve Fund, the Project Accounts of the Construction Fund and the Costs of Issuance Fund are to be held for the sole and exclusive benefit of the Owners of the Bonds; and

(e) any and all other property or security interest therein, of every name and nature from time to time 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, by the Authority or by anyone on its behalf pursuant to the Indenture or with its consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms thereof.

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

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary and description of certain provisions and terms of the Indenture. This summary does not purport to be complete or definitive and creates no rights for any party to the Indenture or for any Bondholders. Reference is made to the Indenture for a full and complete statement of the terms and provisions thereof and for the definition of capitalized terms used in this summary and not otherwise defined in "APPENDIX B – GLOSSARY OF TERMS."

Security for the Bonds

The Bonds are special, limited obligations of the Authority payable as to the principal or Redemption Price of, and interest thereon, in accordance with their terms and the terms and provisions of the Indenture solely from, 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 has the right to compel any exercise of the taxing power of the United States Virgin Islands to pay the principal or Redemption Price of or interest on the Bonds.

General Provisions for the Issuance of the Bonds

The Indenture authorizes Bonds of the Authority to be issued and designated as "Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note)" or "Grant Anticipation Refunding Bonds (Federal Highway Grant Anticipation Revenue Loan Note)," as applicable. The aggregate principal amount of the Bonds under the Indenture is not limited except as provided in the Indenture, the Act, or as may be limited by law.

The Bonds are to be executed by the Authority for issuance under the Indenture and delivered to the Trustee and thereupon are to be authenticated by the Trustee and delivered to the Authority or upon its order, but only upon or after the receipt by the Trustee of: (a) a certificate of the Authority that no Event of Default under the Indenture has occurred and is continuing to exist immediately following the date of issuance of the Bonds to be issued and the issuance of such Bonds will not cause an Event of Default to occur; (b) a certified copy of the resolution authorizing the issuance of the Bonds, the Indenture and a Supplemental Indenture authorizing any refunding Bonds, as executed by the parties thereto; (c) a Counsel's Opinion to the effect that the Bonds are valid and binding special, limited obligations of the Authority, payable solely from the sources provided therefor in the Indenture, enforceable in accordance with their terms and the terms of the Indenture and entitled to the benefits of the Act, and such Bonds have been duly and validly authorized and issued in accordance with the Act and the Indenture and the Indenture creates the valid lien on and security interest in the Trust Estate that it purports to create, subject to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth in the Indenture; provided, that such Counsel's Opinion may take exception as to the effect of, or for restrictions or limitations imposed by or resulting from, bankruptcy, insolvency, debt adjustment, moratorium, reorganization or other similar laws affecting creditor's rights generally and judicial discretion and may state that no opinion is being rendered as to the availability of any particular remedy; (d) a Written Order as to the delivery of such Bonds; (e) the amount, if any, necessary for deposit in the Debt Service Reserve Fund so that the amount therein equals the Debt Service Reserve Requirement including any Debt Service Reserve Fund Credit Facility therein; (f) a duly executed Loan Note; (g) a duly executed original of the Loan Agreement relating to the Bonds; (h) the Tax Regulatory Agreement and any amendments or supplements thereto; (i) an Authority

certificate that the requirements of the Indenture have been fulfilled; (j) unless the Bonds to be issued are refunding Bonds, evidence that the projects to be financed with the proceeds of the Bonds are Approved Projects; (k) a Memorandum of Understanding concerning the administration of the Approved Projects to be financed with the proceeds of the Bonds and the payment of Debt Service and other Bond Related Charges on the Bonds to be issued; and (l) such further documents, moneys, securities and evidences of deposit of funds with the Trustee as are required by the provisions of the Indenture.

Funds and Accounts; Deposit of and Use of Moneys

The proceeds of the Bonds, the Trust Estate and other sums pledged and assigned by the Indenture to the Trustee for the benefit of Bondowners are to be deposited in the Funds and Accounts established by the Indenture and will not be subject to any lien or attachment by any creditor of the Authority or any Debt Service Reserve Fund Credit Provider or person other than the lien of the Indenture. The Funds and Accounts created under the Indenture are to be held and administered by the Trustee as trust funds under and pursuant to the terms of the Indenture and may include the following: (a) the Pledged Revenue Fund, (b) the Debt Service Fund with such separate Accounts as provided in the Indenture, including, any of the following accounts therein: (i) Interest Account; (ii) Principal Account; (iii) Redemption Account; (iv) Expense Account; (v) Purchase Account; (vi) Capitalized Interest Account; and (vii) any other Account established by a Supplemental Indenture; (c) the Debt Service Reserve Fund and Debt Service Reserve Fund Credit Account therein; (d) the Construction Fund, with such separate Accounts therein as the Authority determines in the Indenture; (e) the Costs of Issuance Fund; and (f) a Rebate Fund.

Construction Fund. The Indenture provides that certain amounts are required to be paid into the Project Accounts in the Construction Fund. There also may be paid into the Project Accounts in the Construction Fund, at the option of the Authority, any moneys received by the Authority from any source unless otherwise required to be applied by the Indenture. Money held in the Project Accounts are to be held separately from other moneys in the Construction Fund and are to be disposed of only in the manner provided in the Indenture. Amounts in the respective Project Accounts in the Construction Fund are to be used to pay eligible costs of the Approved Projects. Amounts in the respective Project Accounts in the Construction Fund are to be transferred to the Debt Service Fund and applied to the payment of interest on or principal or Redemption Price of the Bonds when due, to the extent that other funds held for those purposes are insufficient. Interest earnings on amounts on deposit in the respective Project Accounts in the Construction Fund that are subject to rebate are to be transferred to the Rebate Fund in accordance with the Tax Regulatory Agreement. Any excess funds which remain in the Construction Fund following Final Completion and the receipt by the Trustee of a duly executed Completion Certificate are to be deposited into the Principal Account of the Debt Service Fund to pay principal on the Bonds.

Pledged Revenue Fund. The Trustee is required to deposit to the Pledged Revenue Fund all Federal Highway Grant Revenues received as payments under the Loan Note, the amounts required by the Indenture, and such other revenues as may be received by the Trustee which are designated for deposit to the Pledged Revenue Fund, including but not limited to Pledged Transportation Trust Fund Revenues as require under the Indenture. Amounts in the Pledged Revenue Fund, other than Pledged Transportation Trust Fund Revenues, are to be transferred, not later than on each Transfer Date, to Funds and Accounts created under the Indenture, so long as any Bonds remain Outstanding under the Indenture, in the following amounts and in the following order of priority:

- (i) (1) on each Transfer Date preceding an Interest Payment Date, to the Interest Account in the Debt Service Fund, an amount that, when added to any amounts on deposit in such Accounts, will equal 100% of the Debt Service which constitutes all of the interest accruing or to

accrue on the Bonds during such Interest Payment Period (such transfers to be subject to the credits provided for below in clause (2) of this paragraph (i)) below;

(2) subject in each case to any credit with respect to any amounts on deposit in the Capitalized Interest Account to be used for payment of Capitalized Interest on the Bonds and any earnings thereon to the extent required to be used and available for payment of interest on the Bonds as contemplated in the Indenture; and then

(ii) on each Transfer Date preceding a Principal Payment Date, to the Principal Account in the Debt Service Fund, an amount that, when added to any amounts on deposit in such Account will equal 100% of the Principal Installment due on the next succeeding Principal Payment Date on the Bonds payable from the Principal Account; and then

(iii) on each Transfer Date prior to a redemption date, to the Redemption Account of the Debt Service Fund, the amount required to redeem Bonds subject to redemption pursuant to the Indenture; and then

(iv) to the extent legally available, to the Rebate Fund, the amount required to comply with the Indenture for Bonds and such amounts are to be applied as provided in the Indenture; and then

(v) to the applicable Project Accounts of the Construction Fund, an amount sufficient to replenish amounts, if any, transferred therefrom for Debt Service pursuant to the Indenture; and then

(vi) to the Debt Service Reserve Fund, the amount of any transfer required by the provisions of the Indenture to maintain the Debt Service Reserve Requirement (or to pay any amounts then owing to a Debt Service Reserve Fund Credit Provider relating to a Debt Service Reserve Fund Credit Facility as required pursuant to the Indenture); and then

(vii) to the Expense Account, any amounts then due and owing to the Trustee, any Paying Agent, Bond Registrar, any Debt Service Reserve Fund Credit Provider or other Fiduciary which are Bond Related Charges arising under the Indenture, which otherwise have not been provided for in paragraphs (i), (ii), (iii) or (vi) above; and then

(viii) the excess, if any, remains in the Pledged Revenue Fund to be applied in accordance with the Indenture on the next Transfer Date.

Debt Service Fund. Pursuant to the Indenture, certain amounts are required to be remitted, transferred or otherwise deposited in the Debt Service Fund, together with such additional amounts to be deposited into various specified Accounts within the Debt Service Fund. Such deposits are described below.

(a) Interest Account. Pursuant to the Indenture, certain amounts are required to be deposited in the Interest Account. If on any Interest Payment Date there are not sufficient amounts on deposit in the Interest Account to pay the total amount of interest coming due on the Bonds on such Interest Payment Date, the Trustee is required to transfer to the Interest Account from respectively, the Pledged Revenue Fund, the Redemption Account, the Project Account in the Construction Fund, the Debt Service Reserve Fund and the Principal Account in the order so listed, an amount equal to the deficiency. On each Interest Payment Date the Trustee is required to withdraw from the Interest Account an amount sufficient to pay the interest coming due on the Bonds on such Interest Payment Date and use such amounts to pay, or make provision with the Paying Agent for the payment of interest on the Bonds.

(b) Principal Account. Pursuant to the Indenture, on the third Business Day preceding each Principal Payment Date, certain amounts are required to be transferred from the Pledged Revenue Fund and deposited to the Principal Account. If on any Principal Payment Date there are not sufficient amounts on deposit in the Principal Account to pay the total amount of principal coming due on the Bonds on such Principal Payment Date, the Trustee is required to forthwith transfer to the Principal Account from, respectively, the Pledged Revenue Fund, the Redemption Account, the Project Accounts in the Construction Fund and the Debt Service Reserve Fund in the order so listed, an amount equal to the deficiency. On or before each Principal Payment Date for the Bonds, the Trustee is required to withdraw from the Principal Account an amount sufficient to pay the scheduled principal coming due on the Bonds on such Principal Payment Date, and use such amounts to pay, or make provision with the Paying Agent for the payment of, principal of the Bonds on such Principal Payment Date, whether by reason of stated maturity or by reason of Mandatory Sinking Fund Requirements applicable to any Term Bonds.

(c) Redemption Account. Pursuant to the Indenture, any amounts to be used to prepay Bonds by the Authority are required to be deposited in the Redemption Account and applied as provided therein. If no provision is made, such amounts at the direction of the Authority are to be applied to purchase Bonds to be surrendered to the Trustee as a credit against the Debt Service when due or to pay the principal of and premium, if any, on the Bonds then subject to and called for redemption. Any funds transferred to the Redemption Account from a Project Account in the Construction Fund as excess proceeds are required to be applied only to redeem the Bonds from which such Construction Fund proceeds were derived, if any such Bonds are Outstanding. Other funds transferred to the Redemption Account are to be applied to redeem Bonds then subject to redemption as provided in the Indenture or as the Authority directs in writing.

(d) Expense Account. The Trustee is required to transfer from the Pledged Revenue Fund to the Expense Account the amounts directed by the Indenture for the payment of amounts due and owing to the Trustee, any Paying Agent, Bond Registrar, Debt Service Reserve Fund Credit Provider or other Fiduciary which are Bond Related Charges and have not otherwise been provided for.

(e) Purchase Account. Amounts in the Purchase Account are required to be used as directed by the Authority pursuant to the Indenture to purchase the Bonds.

(f) Capitalized Interest Account. To the extent available, the Trustee is required to transfer from the Capitalized Interest Account to the Interest Account, the amount of interest required to be transferred. Each transfer is to be made on or immediately prior to the day on which the Trustee transfers or otherwise remits Revenues as provided in the Indenture and be credited against the transfer then due from the Pledged Revenue Fund. Investment income on amounts held in the Capitalized Interest Account (net of investment losses and amounts required to be transferred to the Rebate Fund) is to be credited to the Capitalized Interest Account.

Debt Service Reserve Fund. An initial deposit to the Debt Service Reserve Fund is to be made by the Trustee from the proceeds of the Bonds in an amount equal to the Debt Service Reserve Requirement or, in lieu thereof, the Authority may cause a Debt Service Reserve Fund Credit Facility to be delivered to the Trustee for such purpose. Thereafter the Debt Service Reserve Fund is to be maintained at the Debt Service Reserve Requirement by transfers to the Debt Service Reserve Fund from the Pledged Revenue Fund as provided in the Indenture; provided, however, (i) in the event the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement because of a transfer required by the Indenture and there are insufficient funds available in the Pledged Revenue Fund, then the Authority has agreed to cause the Government to maintain the Debt Service Reserve Requirement by a transfer of Pledged Transportation Trust Fund Revenues pursuant to the Indenture until such deficiency is remedied and all amounts owed under or in connection with a Debt Service Reserve

Fund Credit Facility have been paid in full, and (ii) in the event the amount on deposit in the Debt Service Reserve Fund is less than the Debt Service Reserve Requirement because of any valuation of the investment securities as determined pursuant to the Indenture, the Authority has agreed to maintain the Debt Service Reserve Requirement by transfers of Revenues pursuant to the Indenture annually no later than twelve months following a determination that such deficiency exists. In the event the amount on deposit in the Pledged Revenue Fund is insufficient to replenish the amounts on deposit in the Debt Service Reserve Fund pursuant to the Indenture, the Authority has agreed to cause the Government to transfer Pledged Transportation Trust Fund Revenues to the Pledged Revenue Fund in the amount necessary to restore such deficiency to the Debt Service Reserve Requirement.

Notwithstanding the foregoing, the lien on and security interest in Pledged Transportation Trust Fund Revenues to maintain the Debt Service Reserve Requirement terminates upon verification by the Trustee that the Debt Service Reserve Fund is funded in an amount at least equal to the then-current Debt Service Reserve Requirement and delivery to the Trustee of evidence confirming satisfaction of the following conditions: (i) written evidence from FHWA that (a) Federal Aid Legislation is in effect for a period not less than the remaining final maturity of the Bonds Outstanding and (b) such Federal Aid Legislation allocates to the Virgin Islands, pursuant to the Territorial Highway Program, annual amounts sufficient to pay annual principal and interest due and payable on the Outstanding Bonds through final maturity of the Bonds (the "FHWA Available Authorization"); and (ii) the amount on deposit in the Debt Service Reserve Fund and the FHWA Available Authorization, taken together, are sufficient to pay in full all principal and interest due and payable on such Bonds through final maturity of such Bonds. The Authority has agreed to provide the Trustee a certificate evidencing that conditions (i) and (ii) above have been satisfied in order for the lien on and security interest in the Pledged Transportation Trust Fund Revenues to be terminated at any time. Upon termination of such security interest and lien, all rights under the Indenture to such Pledged Transportation Trust Fund Revenues cease and the Intercept Policy terminates and has no force and effect. The Debt Service Reserve Fund, however, is required, however, to be maintained at the Debt Service Reserve Requirement through final maturity and applied to the payment of the amount due on the final maturity date.

If on any Interest Payment Date there are not sufficient amounts on deposit in the Interest Account to pay the total amount of interest coming due on the Bonds on such Interest Payment Date or if on any Principal Payment Date there are not sufficient amounts on deposit in the Principal Account to pay the total amount of principal coming due on the Bonds on such Principal Payment Date, and after making the transfers required to be made from other Funds and Accounts as provided in the Indenture, the Trustee is required to transfer sums on deposit in the Debt Service Reserve Fund, as provided in the Indenture to the Interest Account or Principal Account, as the case may be, in an amount sufficient to make up any such deficiency.

Costs of Issuance Fund. The Indenture provides that certain amounts from the proceeds of the Bonds are to be deposited in the Costs of Issuance Fund and such amounts are to be used to pay Costs of Issuance.

Rebate Fund. Moneys deposited and held in the Rebate Account are not subject to the lien and security interest created pursuant to the Indenture. If, at the time of any calculation, the amount on deposit in the Rebate Fund attributable to the Bonds exceeds the Rebate Amount for the Bonds, the Trustee is required to transfer the excess to the Debt Service Fund. If the Trustee does not have on deposit in the Rebate Fund sufficient amounts to make the payments required by the Indenture, the Trustee is required to direct the Authority to remit to the Trustee, in immediately available funds, within five Business Days, the amount of the deficiency. Investment earnings on amounts held in the Rebate Fund are to be retained in the Rebate Fund.

Deficiencies in the Interest Accounts or Principal Accounts. In the event that on an Interest Payment Date or Principal Payment Date, the amount then on deposit in the Interest Account or the Principal Account, is not sufficient to pay the full amount of interest on or principal of the Bonds then due, the Trustee is required to promptly notify the Authority of such fact and thereafter, the Trustee is required to draw in the following order, and transfer to the Interest Account or Principal Account, as appropriate, an amount equal to the deficiency: (i) the Pledged Revenue Fund; (ii) the Redemption Account (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 Project Accounts in the Construction Fund; (iv) the Debt Service Reserve Fund; and (v) the Principal Account (for deficiencies in the Interest Account).

Investments

So long as there are Bonds Outstanding and no Event of Default has occurred and is continuing, moneys on deposit to the credit of any Fund or Account may at the written request of an Authorized Officer, specifying the particular investment and directing that such investment of such funds be made, be invested in accordance with such request by the Trustee in Permitted Investments. Interest earnings on all Funds and Accounts are to be transferred to the Rebate Fund in amounts necessary to comply with the Indenture and any interest earnings remaining in such Funds and Accounts thereafter are to be retained therein, provided, however, that interest earnings in the Debt Service Reserve Fund are to be retained therein to the extent necessary to satisfy the Debt Service Reserve Requirement, and thereafter are to be transferred to the Pledged Revenue Fund, and interest earnings in the Construction Fund are to be transferred to the Pledged Revenue Fund. Permitted Investments, including any interest earned thereon deposited in the Pledged Revenue Fund, in the Construction Fund, the Debt Service Fund or in the Debt Service Reserve Fund are deemed at all times to be a part of such Fund or Account and any profit realized from the liquidation of such investment are to be credited to such Fund or Account and any loss resulting from the liquidation of such investment is to be charged to such Fund or Account.

Events of Default and Remedies

Each of the following events constitutes an "Event of Default" pursuant to the Indenture, if (a) payment of interest on the Bonds is not made when due and payable; or (b) payment of the principal or Redemption Price of the Bonds or of a Sinking Fund Installment is not made when due and payable; or (c) the Authority fails to observe or perform in any material way any covenant, condition, agreement or provision contained in the Bonds or in the Indenture on the part of the Authority to be performed other than those set forth in (a) and (b) above, and such failure continues for thirty (30) days after written notice specifying such failure and requiring the same to be remedied has been given to the Authority by the Trustee, which notice may be given by the Trustee in its discretion and is required to 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 will 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 the Loan Agreement; or (e) the occurrence of an Act of Bankruptcy by the Authority or the Government.

Under the Indenture and upon the happening and the continuance of any Event of Default, the Trustee in its discretion may, and at the written request of the Owners of not less than twenty-five percent (25%) in principal amount of any Bonds Outstanding is required to: (i) by mandamus or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Authority to enforce all rights of the Owners of Bonds, and to require the Authority to carry out any other covenant or agreement

with Owners of Bonds and to perform its duties under the Indenture, (ii) bring suit upon the Bonds; (iii) by action or suit in equity to require the Authority to account as if they were trustees of an express trust, or to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners, (iv) as a matter of right, have a receiver or receivers appointed for the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment confers, and (v) by mandamus or other suit, action or proceeding at law or in equity, enforce or require the Authority to enforce, all of the rights of the Authority and the Trustee under and pursuant to the Loan Agreement, the Loan Note, and to require the Government to carry out any of its other covenants or agreements or perform any of its duties thereunder. Upon the occurrence of an Event of Default under a Debt Service Reserve Fund Credit Facility, the Trustee may also enforce any and all rights or obligations of the Trustee thereunder.

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 the Bonds then Outstanding 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 or the Indenture that would subject the Trustee to personal liability without adequate indemnification therefor.

No Owner of any of the Bonds has 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 gives 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 the Bonds then Outstanding 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, have accrued, and 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 the Trustee has been offered security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has not complied with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Indenture or for any other remedy under the Indenture; it being understood and intended that no one or more Owners of the Bonds secured by the Indenture has 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 are to be instituted, had and maintained for the equal benefit of all Owners of Outstanding Bonds, subject to the provisions of the Indenture.

The Trustee may waive any Event of Default under the Indenture and its consequences and is required to do so upon the written request of the Owners of at least a majority in principal amount of all Outstanding Bonds, provided, however, the following events of default are not to 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 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, 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 is discontinued or

abandoned or determined adversely, then and in every such case the Authority, the Trustee and the Bondholders are to be restored to their former positions and rights under the Indenture.

All Bonds issued under and secured by the Indenture are equally and ratably secured by and payable from the Pledged Revenue Fund without priority of one Bond over any other, except as otherwise expressly provided (i) in the Indenture with respect to the Bonds, or (ii) in a Supplemental Indenture with respect to any refunding Bonds, or (iii) with respect to moneys or assets whether or not held in the Debt Service Fund, the Debt Service Reserve Fund, the Construction Fund and the Costs of Issuance Fund pledged to secure the Bonds (or specific portions of the Bonds). Upon the occurrence of an Event of Default, all moneys collected pursuant to action taken pursuant to the Trustee's or Bondowners' remedies under the Indenture after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the outstanding fees of the Trustee and 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 are to be deposited in such Account or Accounts described in the Indenture as the Trustee deems appropriate, and all moneys in the Pledged Revenue Fund (and at the discretion of the Trustee except when otherwise required), excluding however (1) any moneys held in trust for the payment of the Bonds or interest thereon which have matured or otherwise become payable prior to such Event of Default, (2) any moneys pledged exclusively to secure the Bonds (or specific portions of the Bonds), (3) moneys in the Debt Service Fund, Debt Service Reserve Fund, the Construction Fund and the Costs of Issuance Fund are to be applied solely for the payment of the Bonds.

Unless the principal of Bonds are due and payable, all such moneys in the respective Funds and Accounts securing such obligations are to be applied consistent with the respective priorities of liens and the respective purposes for such accounts each as follows:

FIRST: To the payment of the Persons entitled thereto of all installments of interest then due on the Bonds in the order of the maturity of the installments of such interest and if the amount available is not sufficient to pay in full any particular installment then to the payment ratably, according to the amounts due on such installment to the persons entitled thereto without any discrimination or privilege;

SECOND: To the payment of the persons entitled thereto of the unpaid principal of and redemption premium, if any, on any of the Bonds which have become due (other than Bonds which have matured or have otherwise become payable prior to such Event of Default and moneys for payment of which are held in trust pursuant to the provisions of the Indenture) in the order of their due dates and if the amount available is not sufficient to pay in full the unpaid principal and redemption premium, if any, on Bonds due on any particular due date, then to the payment ratably, according to the amount of principal and premium, if any, due on such date, to the persons entitled thereto, without any discrimination or privilege;

THIRD: To the payment of interest on and the principal of the Bonds as thereafter may from time to time become due, all in accordance with the provisions of the Indenture;

FOURTH: To reimburse the Trustee for certain costs and expenses described in the Indenture and not reimbursed thereunder; and

FIFTH: To the Authority.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of the Indenture described under this caption, such moneys are to be applied by it at such times and from time to time as the Trustee is required to determine having due regard to the source of such moneys, the priority of liens

securing the Bonds under the Indenture, the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee applies such funds, it is required to (1) fix the date (an Interest Payment Date unless another date is deemed to be more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates cease to accrue and (2) on or before such date set aside the moneys necessary to effect such application. The Trustee is required to give to the Bondowners mailed notice of the deposit with it of any such moneys and of the fixing of any such date. Neither the Trustee nor any Paying Agent is required to make payment to the Owner of any Bond until such Bond is presented to the Trustee for appropriate endorsement or for cancellation as fully paid.

Whenever all Bonds and interest thereon and all other indebtedness secured by the Indenture have been paid under the provisions of this caption and all expenses and charges of the Trustee have been paid any balance remaining is required to be paid to the Authority.

Supplemental Indentures

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, is fully effective in accordance with its terms: (a) to provide for the issuance of a Series of refunding 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 may 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 assurance, any lien or security interest under, and the subjection to any lien or security interest 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 the 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 additional revenue, properties, or collateral to the lien and security interest created by the Indenture; (k) to evidence the appointment of a separate trustee or a co-trustee or the successor of a Trustee and/or Paying Agent under the Indenture; (l) to modify, eliminate and/or add to the provisions of the Indenture to the extent necessary to prevent any interest on the Bonds from becoming taxable under the Code; or (m) to make any other change which in the judgment of the Authority and Trustee is necessary or desirable and will not materially prejudice any non-consenting owner of a Bond.

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 less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of at least fifty-one percent (51%) in principal amount of the Bonds 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 remain Outstanding, the consent of the Owners of such Bonds is not required and such Bonds are not to be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under the applicable provisions of the Indenture, as described in this paragraph. No such modification or amendment permits 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 reduces 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 changes or modifies any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondowners. For the purposes of the applicable provisions of the Indenture, as described in this paragraph, the Bonds are 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 the Bonds.

The terms and provisions of the Indenture and the rights and obligations of the Authority and of the Owners of the Bonds under the Indenture may be modified or amended in any respect upon the execution and delivery and filing by the Authority of a Supplemental Indenture and the consent of the Owners of all of the Bonds then Outstanding, such consent to be given as provided in the Indenture except that no notice to Bondowners is required; provided, however, that no such modification or amendment changes or modifies any of the rights or obligations of any Fiduciary without the filing with the Trustee of the written assent thereto of such Fiduciary in addition to the consent of the Bondowners.

Defeasance

The lien and security interest created under the Indenture 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 cease and are satisfied if the Authority pays or causes to be paid, or payment is otherwise made: (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, prior to the maturity or redemption date thereof, are to be deemed to have been paid if (x) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Authority gives to the Trustee irrevocable instructions to mail a notice of redemption, (y) there has been set aside irrevocably in trust, in compliance with the Act, an amount sufficient or Defeasance Securities, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, set aside in trust, in compliance with the Act, will be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on the Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (z) in the event the Bonds are not by their terms subject to redemption within the next succeeding 60 days, the Authority has given the Trustee in form satisfactory to it instructions to mail a notice to the Owners of such Bonds that the deposit required by (y) 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 the 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 the Bonds.

Anything in the Indenture to the contrary notwithstanding, any moneys held by a Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Paying Agent at such date, or for two years after the

date of deposit of such moneys if deposited with the Paying Agent after the said date when such Bonds became due and payable, are to be, at the written request of an Authorized Officer of the Authority, repaid by the Paying Agent to the Authority, as its absolute property and free from trust, and the Paying Agent are thereupon to be released and discharged with respect thereto and the Bondowners may look only to the Authority for payment of such Bonds; provided, however, that before being required to make any such payment to the Authority the Paying Agent is required, at the expense of the Authority, to mail to the Bondowners a notice that said moneys remain unclaimed and that, after a date named in said notice, which date may not be less than 30 days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

No Recourse

Pursuant to the Indenture, there is no recourse against any member or officer of the Authority or any person executing the Bonds for the payment of the principal of, Redemption Price, or interest on the Bonds or for any claim based thereon or on the Indenture. No such member, officer or person will be liable personally on the Bonds.

Tax Covenants

The Authority covenants and agrees for the benefit of the holders of the Bonds, as follows:

(a) It will not directly or indirectly use or permit the use of any proceeds of any Bonds or any other funds of the Authority or take or omit to take any action that would cause any Bonds (i) to be "private activity bonds" that are not "qualified bonds" both within the meaning of Section 141 of the Code, or (ii) obligations which are "federally guaranteed" within the meaning of Section 149(b) of the Code.

(b) It will (i) not take any action, or fail to take any action which would adversely affect the exclusion from gross income of the interest of any Bonds under Section 103 of the Code, (ii) not directly or indirectly use or permit the use of any proceeds of any Bonds or any other funds of the Authority, or take or omit to take any action, that would cause any Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code, and (iii) comply with all requirements of Section 148 of the Code to the extent applicable to any Bonds. In the event that at any time the Authority is of the opinion that it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Indenture or otherwise, the Authority has agreed to so instruct the Trustee in writing, and cause the Trustee to take such action as may be necessary in accordance with such instructions.

(c) Without limiting the generality of the foregoing, the Authority has agreed, pursuant to the Indenture, to pay, or cause to 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 Bonds from time to time. In the Indenture, the Authority has agreed that the covenant described in this paragraph will survive payment in full or defeasance of the Bonds. The Authority has covenanted in the Indenture to pay or cause to be paid to the United States of America the Rebate Requirement at the times and in the amounts determined under the applicable provisions of the Indenture.

(d) In order to comply with the provisions of the Indenture, the Authority has agreed to carry out the provisions of any Tax Regulatory Agreement with respect to the Bonds as such provisions may from time to time be added to, modified or eliminated. Notwithstanding any provision in the Indenture, if the Authority provides to the Trustee a Counsel's Opinion to the

effect that any action required in the Indenture is no longer required, or to the effect that some further action is required, to maintain the exclusion from gross income of the interest on any Bonds pursuant to Section 103 of the Code, the Authority may rely conclusively on such opinion in complying with the provisions hereof, and the applicable covenants under the Indenture will be deemed to be modified to that extent.

(e) The Authority has agreed not to direct the Trustee to acquire a Permitted Investment if such acquisition would fail to satisfy the fair market value rules of Section 148 of the Code generally.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENT

The following is a summary and description of certain provisions and terms of the Loan Agreement. This summary does not purport to be complete or definitive and creates no rights for any party to the Loan Agreement or any Bondholders. Reference is made to the Loan Agreement for a full and complete statement of the terms and provisions thereof and for the definition of capitalized terms used in this summary and not otherwise defined in "APPENDIX B – GLOSSARY OF TERMS."

The Loan

Pursuant to the terms and conditions of the Loan Agreement, the Authority has agreed to issue, sell and deliver the Bonds to Jefferies and Bostonia and make a loan of the proceeds of the Bonds to the Government.

The Loan Note

Pursuant to the Loan Agreement, the loan to the Government will be evidenced by the Loan Note issued by the Government to the Authority on date of delivery of the Bonds. The Government has agreed to pay to the Authority pursuant to the Loan Note the following installments of principal upon receipt of the Federal Highway Grant Revenues and not later than the third Business Day preceding September 1 in each of the following years set forth below; provided that interest on each such principal installment accrues to and includes each such September 1 installment date and provided further that the final principal installment of the Loan Note matures on September 1, 2033:

Due on the Third Business Day Preceding (September1)	Principal Amount	Rate
2016	\$4,465,000	3.00%
2017	\$3,335,000	4.00%
2018	\$3,470,000	5.00%
2019	\$3,645,000	5.00%
2020	\$3,825,000	5.00%
2021	\$4,015,000	5.00%
2022	\$4,220,000	5.00%
2023	\$4,430,000	5.00%
2024	\$4,650,000	5.00%
2025	\$4,880,000	5.00%
2026	\$5,125,000	5.00%
2027	\$5,380,000	5.00%
2028	\$5,650,000	5.00%
2029	\$5,935,000	5.00%
2030	\$6,230,000	5.00%
2031	\$6,540,000	5.00%
2032	\$6,870,000	5.00%
2033	\$7,215,000	5.00%

In addition, the Government has agreed to pay to the Authority all Bond Related Charges when due.

The Loan Note accrues interest at the rates set forth above from the date of issuance, to the final maturity thereof, payable semiannually upon receipt of the Federal Highway Grant Revenues from the U.S. Treasury but not later than the third Business Day preceding each March 1 and September 1, commencing on the third Business Day preceding March 1, 2016, and ending on the third Business Day preceding final maturity thereof.

The Debt Service and other Bond Related Charges under the Loan Note are payable in immediately available funds in lawful money of the United States at the Corporate Trust Office on behalf of the Authority, or such other place as the Authority may designate in writing to the Government.

The Loan Note may, at the option of the Government, be redeemed, in whole or in part, prior to its maturity at the times, in the manner of, in the same maturities as an optional redemption of the Bonds, at a Redemption Price equal to the principal amount of, plus accrued interest thereon, to the date of redemption and any premium required to provide for the payment of the optional redemption of the Bonds pursuant to the terms of the Indenture. In addition, in the event the Bonds are subject to mandatory redemption in whole or in part or in the event the Bonds are purchased by the Authority for retirement and cancellation then, upon payment of the Redemption Price or purchase price of such Bonds, the Government is deemed to have made a prepayment on the Loan Note, in accordance with the terms of the Loan Agreement, in a principal amount equal to the aggregate principal amount of the Bonds so redeemed or purchased.

Application of Proceeds

The Government has agreed to cause the Authority to apply, or cause to be applied all funds received from the net proceeds of the Bonds into the respective Funds and Accounts in accordance with the Loan Agreement.

Security

The Loan Note is a special limited obligation of the Government. The revenues pledged to pay the Loan Note constitute all or a portion of the (i) Federal Highway Grant Revenues and (ii), only to the extent of any shortfall in the amount necessary to maintain the Debt Service Reserve Requirement, the Pledged Transportation Trust Fund Revenues. In the Loan Agreement, the Government has granted a first lien on and security interest in all Federal Highway Grant Revenues deposited into the Pledged Revenue Fund and, to the extent required to maintain the Debt Service Reserve Requirement, a security interest in all Pledged Transportation Trust Fund Revenues. The Loan Note is not a debt of the United States of America and the United States of America is not liable on the Loan Note. The Bonds do not under any circumstances constitute a general obligation of the Authority, the Virgin Islands, or the United States of America and neither the United States of America nor the Virgin Islands are liable thereon. The Authority has no taxing power. The Federal Highway Grant Revenues are derived in accordance with the Federal Aid Legislation.

Under the Loan Agreement, the Government has (i) pledged all Federal Highway Grant Revenues and, to the extent required to maintain the Debt Service Reserve Requirement, the Pledged Transportation Trust Fund Revenues and (ii) granted a first lien on and security interest in, and assigns to the Trustee, its interest in the Federal Highway Grant Revenues and, to the extent legally available and only to maintain the Debt Service Reserve Requirement, a lien on and security interest in the Pledged Transportation Trust Fund Revenues, as security for the payment of the Loan Note and has consented to the deposit of the

Federal Highway Grant Revenues into the Pledged Revenue Fund held by the Trustee under the Indenture. The Government has agreed in the Loan Agreement that all of the rights accruing to or vested in the Government with respect to the Federal Highway Grant Revenues and the Pledged Transportation Trust Fund Revenues may be exercised, protected and enforced by the Trustee in accordance with the provisions of the Indenture and the Loan Agreement.

Special Tax Covenants of the Government

Pursuant to the Loan Agreement, the Government has covenanted and agreed that so long as the Loan Note remains outstanding and the principal thereof or interest thereon is unpaid or unprovided for, it will (i) not take any action, or fail to take any action which would adversely affect the exclusion from gross income of the interest payable on the Bonds under Section 103 of the Code; (ii) not directly or indirectly use or permit the use of any proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or "private activity bonds" with the meaning of Section 141 of the Code; and (iii) comply with all requirements of Section 148 of the Code and Section 141 of the Code to the extent applicable to the Bonds.

Without limiting the generality of the foregoing, the Government has agreed pursuant to the Loan Agreement to pay 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 Bonds from time to time. Such covenants made in the Loan Agreement and described under this caption survive payment in full or defeasance of the Loan Note and the Bonds.

In order to comply with the provisions described in this section, the Government has agreed to carry out the provisions of Section 148(f) of the Code and applicable Treasury Regulations as such provisions may from time to time be amended, modified or repealed to the extent they apply to the Bonds. The Government further agrees to employ or appoint knowledgeable persons having experience in preparing computations under Section 148 of the Code to assist the Government in complying with the covenants described in this section.

Affirmative Covenants of the Government

Pursuant to the Loan Agreement and so long as the Loan Note remains outstanding and the principal thereof, interest thereon and all other amounts payable thereunder are unpaid or unprovided for, the Government has covenanted and agreed (unless the Authority and the Trustee otherwise consent in writing) to:

(a) Observe and comply with the terms and conditions of the Loan Agreement and perform all of its obligations under the Loan Note, pay all amounts payable by it under the Loan Agreement and under the Loan Note according to the terms of the Loan Agreement and the Loan Note.

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

(c) In furtherance of the pledge of and the grant of the first lien on and security interest in the Federal Highway Grant Revenues set forth in the Loan Agreement, request that the United States deliver and take all steps necessary to ensure the receipt of and the maximization of Federal Highway Grant Revenues for which the Government is eligible and direct the deposit of

such funds in the Pledged Revenue Fund of the Indenture to the extent required in the Loan Agreement and in the Loan Note.

(d) Observe and comply with the terms and conditions of and perform all of its obligations under the Memorandum of Understanding.

(e) At all times while the Loan Note is outstanding, to the extent permitted by law, defend, preserve and protect the first lien on and security interest in the Federal Highway Grant Revenues on deposit in the Pledged Revenue Fund and the pledge of the Pledged Transportation Trust Fund Revenues under the Loan Agreement and all rights of the holders of the Loan Note against all claims and demands of all third parties.

(f) Consent to the assignment, pursuant to the Indenture, of all right, title and interest of the Authority in and under the 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.

(g) In furtherance of the pledge of and the grant of the lien on and security interest in the Pledged Transportation Trust Fund Revenues required to maintain the Debt Service Reserve Requirement, the Trustee has agreed to notify the Government in writing and the Government has agreed to deposit the amount of Pledged Transportation Trust Fund Revenues required to maintain the Debt Service Reserve Requirement prior to obligating any Pledged Transportation Trust Fund Revenues for any other purpose.

(h) Provide to the Authority within 180 calendar days of the end of each Fiscal Year a financial report summarizing the allocation of Federal Highway Grant Revenues and the obligation amounts for such Fiscal Year and any other information required for compliance with the Indenture.

(i) Comply with all applicable laws and regulations of the Federal Highway Administration and all other applicable federal transportation laws and regulations.

(j) In each Federal Fiscal Year, commencing with the Federal Fiscal Year commencing October 1, 2015, subject to federal appropriation and authorization, to obligate or commit Federal Highway Grant Revenues in an amount sufficient to pay Debt Service and other Bond Related Charges for such Federal Fiscal Year before it obligates or commits such Federal Highway Grant Revenues for other transportation projects.

(k) In the event that the Federal government discontinues the payment of Federal Highway Grant Revenues to the Government and substitutes another stream of revenues in lieu thereof (the "Substitute Revenues"), the Government will use its best efforts to grant a lien on and security interest in such Substitute Revenues for repayment of the Loan Note.

Negative Covenants of the Government

Pursuant to the Loan Agreement and so long as the Loan Note remains outstanding and the principal thereof or interest thereon are unpaid or unprovided for, the Government has covenanted and agreed not to:

(a) Issue any Bonds secured by the Federal Highway Grant Revenues other than in conformance with the terms of the Indenture.

(b) Pledge the Revenues to other bonds issued by the Authority, any other authority or entity issuing bonds for the benefit of the Government.

(c) Take any action, or fail to take any action that would in any way impair the rights of the holder of the Loan Note and the Owners of the Bonds or impair the Government's right to receive the maximum amount of Federal Highway Grant Revenues to which it may be entitled.

(d) Use Federal Highway Grant Revenues for projects not authorized by the Federal Aid Legislation.

(e) Require any legislative appropriation for the transfer of any Pledged Transportation Trust Fund Revenues.

Affirmative Covenants of the Authority

If the Authority pays or causes to be paid, or it has otherwise been deemed to be paid to the Owners of all the 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 the Trustee and Paying Agent have paid over and delivered to the Authority all moneys or securities held by them upon defeasance pursuant to the Indenture, then the Authority has agreed to credit ratably (or otherwise as directed in writing by the Government) against amounts due under the Loan Note any moneys and securities thereupon remaining and held under the Indenture, including amounts, if any, on deposit in the Debt Service Reserve Fund created under the Indenture, and transfer such remaining money and securities to, at the direction of, or on behalf of the Government. The Authority has agreed to use its best efforts to cause the Government to comply with the covenants of the Government set forth in the Loan Agreement.

Events of Default and Remedies

The occurrence of any of the following events are "Events of Default" under the Loan Agreement:

(a) The Government fails to pay when due any amount payable on the Loan Note; or

(b) The Government fails to perform or observe any term, covenant or agreement contained in the Loan Agreement on its part to be performed or observed and any such failure remains unremedied for thirty (30) days after written notice thereof has 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 is not 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" as such term is defined in the Indenture has occurred.

(d) If an Event of Default occurs and is not remedied, then, and in every such case, past due principal and interest will continue to accrue interest under the Loan Note after such default and the holder of the Loan Note may (i) sue to collect sums due under the 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 Loan Agreement or the Loan Note, and (iii) examine the books and records of the Government to account for all moneys and securities constituting the Federal Highway Grant Revenues.

Limited Obligation

Notwithstanding anything to the contrary in the Loan Agreement, the Loan Agreement is a limited obligation of the Government payable solely from and secured solely by a pledge of all Federal Highway Grant Revenues and, to the extent required to maintain the Debt Service Reserve Requirement, all Pledged Transportation Trust Fund Revenues and a first lien and security interest in the Federal Highway Grant Revenues on deposit in the Pledged Revenue Fund and the pledge of the Pledged Transportation Trust Fund Revenues under the Loan Agreement. The Loan Agreement and the Loan Note do not constitute the general obligation of the Government. Neither the Government nor any political subdivision thereof are obligated to pay the Debt Service or other Bond Related Charges on the Bonds or the Loan Note other than from the Trust Estate and neither the faith and credit nor the taxing power of the Government or of any political subdivision thereof is pledged to the payment of the Debt Service or other Bond Related Charges on the Bonds or the Loan Note.

Continuing Obligation

Until the date on which all amounts due and owing to the Authority from the Government pursuant to the Loan Note have been paid in full or otherwise provided for, the Loan Agreement is a continuing obligation of the Government and (i) is binding upon the Government, its successors and assigns and (ii) inures to the benefit of and be enforceable by the Authority and the Trustee and their respective successors, transferees and assigns.

Amendments and Supplements

From time to time, the Governor, on behalf of the Government, and with the consent of the Authority or the Authority, with the consent of the Government and the Trustee, may cause to be executed a supplement to the Loan Agreement curing any ambiguity or curing, correcting or supplementing any defect or inconsistent provision contained in the Loan Agreement or making such provisions in regard to matters or questions arising in the Loan Agreement as may be necessary or desirable and as do not materially adversely affect the interests of the holder of the Loan Note. Such supplement becomes effective upon the filing with the Government of an instrument of the holder of the Loan Note approving such supplement. In addition, the Government may cause to be executed a supplement to the Loan Agreement at any time and from time to time modifying any provision of the Loan Agreement with the consent of the holder of the Loan Note.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

December 15, 2015

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 \$89,880,000 Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Revenue Loan Note), Series 2015 (the "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, 2015 V.I Act 7754, and other applicable law, as the same may be amended from time to time (collectively, with the Revised Organic Act, the "Act"), and Resolution No. 015-034 dated November 25, 2015 (the "Bond Resolution").

The Bonds are issued under and pursuant to the Revised Organic Act, the Act, the Bond Resolution and an Indenture of Trust, dated as of December 1, 2015 (the "Indenture"), 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 Bonds shall 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 Bonds are being loaned by the Authority to the Government pursuant to a Loan Agreement, dated as of December 1, 2015, by and among the Authority, the Government and the Trustee (the "Series 2015 Loan Agreement"), against delivery by the Government of its \$89,880,000 principal amount Series 2015 Federal Highway Grant Anticipation Revenue Loan Note (the "Series 2015 Loan Note").

The 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 Bonds will be used to (i) finance all or a portion of the costs of the Approved Projects, (ii) fund the amount necessary to satisfy the Debt Service Reserve Requirement for the Bonds, and (iii) pay certain costs of issuing the Bonds.

Pursuant to the Indenture, the Authority is authorized to issue the Bonds 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 Bonds in order that interest

on the 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 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 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 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 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 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 Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum taxable income 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. Under existing statutes, interest on the 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 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 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 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 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 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 a Bond as executed, and, in our opinion, the form of said Bond and its execution is regular and proper.

Very truly yours,

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APPENDIX F

BOOK-ENTRY-ONLY SYSTEM

The information set forth herein concerning The Depository Trust Company, New York, New York ("DTC") and the book-entry system described below has been extracted from materials provided by DTC for such purpose, is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Authority, the Trustee, Jefferies, or Bostonia. The websites referenced below are included for reference only and the information contained therein is not incorporated by reference in this Limited Offering Memorandum.

DTC 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 Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory 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 Trustee, 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 Trustee, 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 Trustee. 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 Bonds to the Trustee'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 Trustee. 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, the Trustee, Jefferies, and Bostonia believe to be reliable, but the Authority, the Trustee, 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 December 1, 2015, 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 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 7(a) and 7(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, Additional Disclosure, Voluntary Report or notice of an Event delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Additional Disclosure, Voluntary Report or notice of an 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 10.

“**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 Section 5(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), Additional Disclosure, Voluntary Report and the notice of an 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 Bonds listed in Exhibit A.

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

“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 7.

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 June 30 of each fiscal year of the Authority, commencing with the fiscal year ending September 30, 2015. 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 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 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, the Authority irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the Repository in substantially the form attached as **Exhibit B**, without reference to the anticipated filing date for the Annual Report if one is not available, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in **Exhibit C**.

(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 (i) an update to the tabular information as set forth in Table 5 and Table 8 in the Offering Document under the headings FAHP Funding History in the Virgin Islands and Historical Pledged Transportation Trust Fund Revenues and in Appendix A to the Offering Document an update of the authorization of the FAHP, including the length of the authorization, the level of funding for the Territorial Highway Program and the percentage of such funding allocated annually to the Virgin Islands.

(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) The information regarding amendments to this Disclosure Agreement pursuant to Section 13 of this Disclosure Agreement will be included in the Annual Report.

SECTION 4. Incorporation by Reference; Modified Data.

(a) Any or all of the items listed in Section 3 hereof may be included by specific reference to other documents, including offering documents 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 offering document, 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 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 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 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 5. 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 of 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 (IRS Form 5701 TEB);
6. Tender Offers;
7. Defeasances;
8. Rating Changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person;
10. Unless described in Section 5(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, if material;
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. If material, 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; and
16. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Note: for the purposes of the Event identified in Section 5(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.

Whenever the Authority obtains knowledge of the occurrence of an Event described in Sections 5(a)(10)-(16), the Authority shall determine if such event would be material under applicable federal securities laws. Notwithstanding the foregoing, notice of the Event described in Sections 5(a)(7) or 5(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 applicable indenture of trust.

The Authority shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of an Event. 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 6. 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, 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 7. 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, 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, 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, Voluntary Report or notice of an Event.

SECTION 8. 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 9. Termination of Reporting Obligation. The obligations of the Authority and the Disclosure Dissemination Agent under this Disclosure Agreement and the obligations of the Government pursuant to Section 3(c) hereof shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Authority is no longer an obligated person with respect to the 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.

SECTION 10. 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 30 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 Underwriters or the Placement Agents of the Bonds, as applicable. 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 11. 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 12. 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 an 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 12(b) shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

SECTION 13. 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 hereunder, the Authority and the Disclosure Dissemination Agent may not amend this Disclosure Agreement without obtaining prior written consent of the Government 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 14. Beneficiaries; Applicability to Prior Bonds.

(a) This Disclosure Agreement shall inure solely to the benefit of the Authority, the Trustee, the Disclosure Dissemination Agent, the Underwriters, the Placement Agents 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 is applicable to the Bonds set forth in Exhibit A, as such Exhibit A may be supplemented or amended from time to time.

SECTION 15. 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 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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: _____
Valdamier O. Collens
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 the information set forth in Section 3(c) hereof not later than June 30 of each calendar year commencing with the Government's fiscal year ending September 30, 2015.

By: _____
Valdamier O. Collens
Commissioner of Finance

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:	\$89,880,000 Virgin Islands Public Finance Authority Grant Anticipation Revenue Bonds (Federal Highway Grant Anticipation Loan Note), Series 2015
Date of Official Statement:	December 8, 2015
Date of Issuance:	December 15, 2015
Underwriter(s):	Jefferies LLC and Bostonia Global Securities LLC
CUSIP Number(s):	927676TZ9 927676UA2 927676UB0 927676UC8 927676UD6 927676UH7 927676UJ3 927676UK0 927676UL8 927676UE4 927676UF1 927676UG9

EXHIBIT B

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL 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 Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement, dated as of December 1, 2015, 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 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 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 event notice relates (the "Bonds"): _____

Number of pages of attached event notice: _____

____ Description of Event Notice (Check One):

- ☐ Principal and interest payment delinquencies
- ☐ Unscheduled draws on debt service reserves reflecting financial difficulties
- ☐ Unscheduled draws on credit enhancements reflecting financial difficulties
- ☐ Substitution of credit or liquidity providers, or their failure to perform
- ☐ Adverse tax opinions or issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB)
- ☐ Tender Offers
- ☐ Defeasances
- ☐ Rating changes
- ☐ Bankruptcy, insolvency, receivership or similar event of the obligated person
- ☐ Other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds
- ☐ Modifications to rights of Bond holders, if material
- ☐ Optional, unscheduled or contingent Bond calls, if material
- ☐ Release, substitution, or sale of property securing repayment of the Bonds, if material
- ☐ Non-payment related defaults, if material
- ☐ If material, consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated 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 relating to any such action, other than pursuant to its terms
- ☐ Appointment of a successor or additional trustee or the change of name of a trustee, if material
- ☐ Other event notice (specify) _____

____ Failure to provide annual financial information as required.

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: _____

Telephone Number: _____

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