BILL NO. 30-____

THIRTIETH LEGISLATURE OF THE VIRGIN ISLANDS

OF THE UNITED STATES

Regular Session

2013

To authorize the issuance of bonds, notes or other evidences of indebtedness of the Government of the Virgin Islands (the "Government") and the Virgin Islands Public Finance Authority (the "Authority") for the purpose of providing funds to (i) advance or current refund portions of the Authority's outstanding (A) Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2004A (Senior Lien), (B) Revenue Bonds (Virgin Islands Matching Fund Loan Note), Series 2009A-1 (Senior Lien/Capital Projects/Tax Exempt) and (C) Refunding Bonds (Virgin Islands Matching Fund Loan Note), Series 2009B (Senior Lien/Refunding) (collectively, the "Prior Bonds") in an amount up to $90,000,000 to restructure debt service on certain maturities of such Prior Bonds for cash flow relief and to refund certain maturities of such Prior Bonds for savings (exclusive of any necessary reserves or costs of issuance), (ii) fund any necessary reserves, (iii) pay the costs of issuance of the Series 2013A Matching Fund Revenue Refunding Bonds (defined below), (iv) pay accrued interest, if any, on the Series 2013A Matching Fund Revenue Refunding Bonds from their dated date to the date of delivery thereof, and (v) authorize the Government and the Authority to enter into certain agreements, pledge the Matching Fund Revenues (as hereinafter defined) of the Government, and issue a limited special obligation note to secure repayment of such bonds, notes or other obligations.

WHEREAS, the Authority has entered into an Indenture of Trust, dated as of May 1, 1998, as amended and supplemented (collectively, the "Indenture"), authorized under the Virgin Islands Revised Organic Act, as amended, 48 U.S.C.A §1574 et seq. (West 1987) (the "Revised Organic Act"), Title 29, Chapter 15, of the Virgin Islands Code (the "PFA Act", and together with the Revised Organic Act, the "Act"), pursuant to which the Authority previously issued its bonds; and

WHEREAS, in order to restructure and refund the Prior Bonds, the Authority intends to issue up to $90,000,000 (exclusive of any necessary reserves or costs of issuance) aggregate principal amount of its bonds, notes or other evidences of indebtedness in one or more series (the "Series 2013A Matching Fund Revenue Refunding Bonds") and, pursuant to a loan agreement (the "Series 2013A Loan Agreement"), to loan the proceeds thereof to the Government (the "Series 2013A Loan") against delivery of a special limited obligation loan note of the Government (the "Series 2013A Loan Note"), and to apply the proceeds of the Series 2013A Matching Fund Revenue Refunding Bonds to refund the Prior Bonds, to fund any necessary reserves in connection therewith and to pay costs of bond insurance and related costs of issuance of such bonds, notes or other evidence of indebtedness; and

Now, therefore, BE IT ENACTED by the Legislature of the Virgin Islands:

SECTION 1. Authorization to Borrow

(a) Authorization to Borrow on a Limited Special Obligation Basis. The Authority is authorized to issue up to $90,000,000 (exclusive of any necessary reserves or costs of issuance) aggregate principal amount of Series 2013A Matching Fund Revenue Refunding Bonds for the purpose of providing funds to the Government to (i) restructure and refund the Prior Bonds, (ii) fund any necessary reserves, (iii) pay the costs of issuance of the Series 2013A Matching Fund Revenue Refunding Bonds, (iv) pay accrued interest, if any, on the Series 2013A Matching Fund Revenue Refunding Bonds from their dated date to the date of delivery thereof, if applicable, and (v) pay the costs of any bond insurance relating to the Series 2013A Matching Fund Revenue Refunding Bonds. The Government is hereby authorized to issue the Series 2013A Loan Note and execute the Series 2013A Loan Agreement to evidence its obligation to repay the Series 2013A Loan.

(b) Authorization to Pledge Matching Fund Revenues. The Government is hereby authorized to pledge certain federal excise tax revenues (hereinafter referred to as "Matching Fund Revenues") to be received by the Government free and clear of any liens or security interests (except as provided below), as security for repayment of the Series 2013A Loan Note. The Amended and Restated Special Escrow Agreement, dated as of September 1, 2012, entered into by and between the Government, the Authority and The Bank of New York Trust Company, N.A., as successor Special Escrow Agent (the "Special Escrow Agent") (the "Special Escrow Agreement"), providing for the deposit and administration of funds for the benefit of the holders of the outstanding Matching Fund Revenue Bonds, the Series 2013A Matching Fund Revenue Refunding Bonds and any Additional Bonds (as defined in the Indenture), shall be maintained for so long as any of the Matching Fund Revenue Bonds or any additional loans made with the proceeds of Additional Bonds issued under a duly authorized supplement to the Indenture for the Matching Fund Revenue Bonds outstanding.

(c) Non-Impairment Covenant. In furtherance of the pledge of the Matching Fund Revenues authorized by this Act, the Government is hereby authorized and directed to covenant and agree for the benefit of the holders of the outstanding Matching Fund Revenue Bonds, Series 2013A Matching Fund Revenue Refunding Bonds and any Additional Bonds that, for so long as any related loan notes issued by the Government remain unpaid, the Government shall continue to (i) take all steps necessary to ensure the receipt and continued collection of Matching Fund Revenues and the deposit of Matching Fund Revenues into the Matching Fund Revenue Special Escrow Account, (ii) to the extent permitted by law, defend, preserve and protect such pledge, lien and security interest and all rights of the holders of such loan notes against all claims and demands of third parties, (iii) not revoke, terminate or amend such pledge, lien and security interest in any way that materially adversely affects the rights of any holder of such loan notes or bondholders, (iv) not take any action that would, directly or indirectly, result in the repeal, rescission or termination of Section 1574a of the Revised Organic Act (or any successor provision) or a reduction in collections of Matching Fund Revenues or a restriction or reduction in application of the Matching Fund Revenues in general, if such action would materially adversely affect the rights of any holder of such loan notes or bondholders, or (v) not take any action or fail to take any action which will limit, restrict or in any way impair in general the collection, transfer, deposit to, or disbursement of Matching Fund Revenues from the Matching

Fund Revenues Special Escrow Account, or allow, permit or suffer to exist any prior lien, attachment or pledge, other than any lien and pledge authorized herein of Matching Fund Revenues deposited into or required to be deposited into the Matching Fund Revenues Special Escrow Account.

(d) Authorization to Assign Series 2013A Loan Note and Series 2013A Loan Agreement. In connection with the issuance by the Authority of the Series 2013A Matching Fund Revenue Refunding Bonds, the Authority is hereby authorized to assign to the Trustee, for the benefit of the holders of the Series 2013A Matching Fund Revenue Refunding Bonds, the Authority's rights and interest in, to and under the Series 2013A Loan Note and the Series 2013A Loan Agreement or other instruments authorized herein, subject to and in accordance with the terms of the Indenture and the Series 2013A Loan Agreement.

(e) Authorization to Execute All Necessary Agreements. The Government, acting through the Governor or Commissioner of Finance, and the Authority, acting through the Chairman, or such other members designated in the resolution of the Authority, are each hereby authorized to (i) execute and deliver all documents and agreements necessary or advisable in connection with the issuance of the bonds, notes and other evidence of indebtedness authorized herein, (ii) loan the proceeds of the Authority's bonds to the Government as contemplated herein, and (iii) pay all expenses associated with the issuance of the bonds, notes, and other evidence of indebtedness authorized herein, including, without limitation, any costs or expenses required to be paid by or in relation to the issuance of such bonds, notes and other evidence of indebtedness authorized herein, including any liquidity facility or bond insurance policy relating to the Series 2013A Matching Fund Revenue Refunding Bonds.

SECTION 2. Interest Rate and Term

Neither the Series 2013A Matching Fund Revenue Refunding Bonds nor the Series 2013A Loan Note shall bear interest at a rate in excess of eight and one-half percent (8 1/2 %) per annum; and the respective terms of the Series 2013A Matching Fund Revenue Refunding Bonds and of the Series 2013A Loan Note shall not exceed thirty (30) years from the date of issuance thereof.

SECTION 3. Effective Date

This Act shall take effect immediately upon approval thereof by the Governor.

BILL SUMMARY

Section 1 of the bill authorizes the Authority to issue up to $90,000,000 aggregate principal amount of Series 2013A Matching Fund Revenue Refunding Bonds for the purpose of providing funds to the Government to (i) restructure and refund the Prior Bonds, (ii) fund any necessary reserves, (iii) pay the costs of issuance, (iv) pay accrued interest, if any, on the Series 2013A Matching Fund Revenue Refunding Bonds from their dated date to the date of delivery thereof, and (v) pay the costs of any bond insurance relating to the Series 2013A Matching Fund Revenue Refunding Bonds. The Government is also authorized to issue the Series 2013A Loan Note and execute the Series 2013A Loan Agreement to evidence its obligation to repay the Series 2013A Loan and to pledge "Matching Fund Revenues" to be received by the Government, as security for repayment of the Series 2013A Loan Note.

Section 2 of the bill provides that the Series 2013A Matching Fund Revenue Refunding Bonds shall bear interest at a rate not to exceed eight and one-half percent (8½%) per annum and have a maximum maturity not to exceed thirty (30) years..

Section 3 provides that the Act becomes effective upon approval by the Governor.