



THE VIRGIN ISLANDS OF THE UNITED STATES  
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June 26, 2008

VIA HAND DELIVERY

Honorable Usie R. Richards  
President  
27th Legislature of the Virgin Islands  
Capitol Building  
St. Thomas, VI 00802

**RE: Proposed legislation to ratify Agreement between Government of the Virgin Islands and Diageo USVI, Inc.; call for a special session**

Dear President Richards:

It is with great pride that I submit to the Twenty-Seventh Legislature of the Virgin Islands the enclosed proposed legislation seeking ratification of the June 17, 2008 Agreement between the Government of the United States Virgin Islands ("Government") and Diageo USVI, LLC ("Diageo") ("Agreement"), which is appended to the legislation. With a favorable decision from the Legislature on this measure the Virgin Islands will realize the most significant economic development project in fifty years.

Pursuant to this Agreement, Diageo will construct a \$165 million, 20 million proof gallon, state-of-the-art distillery on the island of St. Croix for purpose of producing rum for its renowned Captain Morgan Rum brand. This rum will be sold in the United States, and, therefore, allow the Virgin islands to significantly increase its rum cover-over revenues which will provide a substantial boost to the General Fund. Over the 30-year life of the Agreement, the Virgin Islands coffers are projected to receive approximately \$2.9 billion in rum cover-over revenues from this project.

To support this project, pursuant to the Agreement, Diageo will receive economic development tax incentives of the kind already found in Title 29, Virgin Islands Code, and administered by the Economic Development Authority. Diageo also will receive support in the form of marketing incentives and the statutory molasses subsidy, based on the model already in place.

In addition, the Agreement and proposed legislation requests the authorization to issue bonds to finance the construction of the rum distillery. New cover-over revenues will service this bond debt. This project is fully self-supporting from the revenues it will generate and does not require the commitment of any government resources.

Further, three percent of the gross incremental cover-over revenues, those cover-over revenues generated from the production of rum at the distillery, each year will be deposited in a Communities Facilities Trust Account ("Trust Account"). This Trust Account will be administered by the Virgin Islands Public Finance Authority, and the revenues deposited therein will be devoted to the development, operation, and maintenance of community or sports facilities throughout the Virgin Islands.

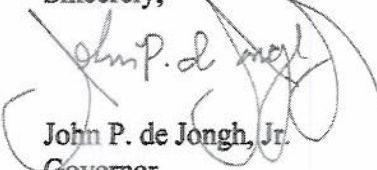
While the project is being constructed, we will have ample opportunity to decide how best to use the new cover-over revenues once production commences. As you are aware, there are numerous matters which require our attention and ultimate resolution. The need to implement a real capital projects program so that we can properly plan, implement, and manage our capital projects, avenues to systematically address the energy dilemma in the Virgin Islands, the unfunded liability of the Government Employees Retirement System, an effective maintenance program for government facilities, past wages to government employees, and our wastewater and solid waste systems all are worthy of our attention. However, we must prioritize and plan our approaches to these, and other, problems in order to maximize the potential positive impact these additional revenues can have on our people and our community.

Because of the overarching importance of this proposed legislation and the Agreement to the people and future of the Virgin Islands, and further because Diageo requires certainty for its rum production, in accordance with Section 7(a) of the Revised Organic Act of the Virgin Islands of 1954, I am calling the Twenty-Seventh Legislation into Special Session on July 8, 2008 at 10:00 a.m. to take action on this proposed legislation and the Agreement. Members of my Administration and representatives of Diageo will be available on that date.

This Agreement was reached after long and in-depth negotiations. Final agreement was reached due to the hard work and good faith exhibited by both parties throughout the negotiation process. In reaching this Agreement, the Virgin Islands has attracted a major international business concern that had looked throughout the Caribbean and beyond for a site to locate this crucial part of its business operations. We have demonstrated that the Virgin Islands is a viable business locale, and we all should be proud of this accomplishment.

I respectfully request that the Twenty-Seventh Legislature take favorable action upon this proposed legislation and the Agreement.

Sincerely,



John P. de Jongh, Jr.  
Governor