The Virgin Islands Consortium

Rum Cover-Over Helps V.I. Bond Ratings Remain Stable

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Thanks to the rum cover-over, Fitch Ratings, a New York-based ratings firm has declared the V.I. government's rum revenue-backed bond ratings as good for investment by giving the existing bonds a stable outlook.

According to the Fitch, the Public Finance Authority's Matching Fund Revenue bonds, backed up by rum revenue, continue to be a salient source to fund government capital projects and operating costs.

Bond Ratings:

- $828.31 million revenue bonds senior lien : BBB.
- $177 million revenue bonds subordinate lien: BBB-
- $250 million subordinated revenue bonds series 2009A (Diageo): BBB-
- $37.49 million subordinated revenue bonds series 2009A (Cruzan): BBB-

Fitch added that payment on the bond relies heavily on rum production at Cruzam Rum and Diageo distilleries, and the continuous sale of the rum in the United States.

Incessantly a boon to the government of the Virgin Islands, the rum revenues come from the rum tax cover-over, with $10.50 returning to the government for every proof gallon of rum made in the Virgin Islands and sold in the United States.

The rum cover-over was in the past increased to $13.25 per gallon, however an extension renewal is pending approval in Congress.

"This action by Fitch is a timely reaffirmation of the solid condition of our outstanding bonds," said Governor John dejongh Jr. "Coming on the heels of the affirmation in June of our Gross Receipts taxes bond ratings by Fitch, as well as Standard & Poor's, this provides one more vote of confidence by the investment community at a time when troubles in Puerto Rico have cast a pall over the municipal bond markets."

Finance Commissioner and PFA Executive Director Angel Dawson Jr. added: "This action by Fitch comes at a great time, as we are coming to market next week with the sale Gross Receipts taxes bonds. While this was a confirmation of the Matching Fund Bond ratings, it is an important statement that hits home to our investors that our bonding program is well-structured and our ratings are stable."

Fitch and Standard & Poor's reaffirmed the bond ratings for the territory's Gross Receipt Tax bonds in June, however Fitch assigned a negative outlook to the the Gross Receipt Tax bonds, citing continued frail financial positioning and heavy debt load.

According to Dawson, the Virgin Islands also has $696.9 million in outstanding Gross Receipt Tax bonds.