

To: Governor John de Jongh  
Richard Carrion  
Jeffrey Epstein  
Joe Bolschulte

April 8, 2013

From: Andrew L. Farkas

Re: Potential Joint Venture between The West Indian Company Ltd., Island Capital Group LLC (or an affiliate) to own and/or operate the Virgin Islands Port Authority and West Indian Company Ltd. cruise ship terminals in the USVI.

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## **I. Thesis**

Recent years have brought a wave of economic challenges to the Virgin Islands. A lingering global financial crisis, a virtual freeze in overall lending in the region, the closure of Hovensa, the rising energy costs and aging energy infrastructure have contributed to the malaise. These setbacks have resulted in chronically high unemployment, lower government revenues and have contributed to the fiscal challenges facing the Virgin Islands. These factors in turn have led to higher island wide taxes further straining small businesses and consumers and stifling economic growth. Additionally, the GERS pension system is showing stress, threatening a generation of pensioners. High labor and energy costs and a difficult regulatory regime continue to deter new business formation and relocation and neighboring islands with lower operating costs are aggressively pursuing market share of the Territory's vital tourist business and attempting to lure away recipients of economic development benefits. In light of these troubling trends, the Governor has been focusing on identifying and leveraging its existing assets and strengths to spur new economic activity. The Territory has existing private and public sector infrastructure which sits underutilized – in particular a unique waterfront experience in Charlotte Amalie and extensive facilities and reach in the cruise ship industry. In fact, the tourist trade and the cruise ship industry in particular represent perhaps the highest probability for economic growth and return to prosperity in the Virgin Islands. In working hand-in-hand with the Governor and the people of the USVI, IGY believes that it can help finance the creation of a new approach to the merchandising and operation of the St. Thomas waterfront. IGY believes that the plan set forth below will permit the Governor to realize on his vision of a planned, fully integrated, waterfront experience for cruise passengers and yachtsmen alike.

St. Thomas still maintains a leading position in the cruise ship industry in the Caribbean. It serves as a premier hub for major cruise ship lines operating in the Caribbean. St. Thomas offers extensive duty free shopping. In particular, U.S. citizens, including children, can return to the mainland USA with up to \$1,600.00 worth of duty-free merchandise every 30 days from the U.S. Virgin Islands. The duty free allowance is \$800 from elsewhere in the Caribbean. Over 1.79 million cruise ship passengers disembarked in St. Thomas/St. John in 2012 (USVI bureau of Economic Research), many in the Charlotte Amalie Harbor immediately adjacent to Yacht Haven Grande. However, in recent years coordinated infrastructure and operational upgrades and strategic destination marketing, have placed St. Maarten on top of the Caribbean in average cruise passenger spending. Cruisers are spending on average US \$185.40 in St. Maarten compared to the regional average US \$97. St. Maarten is second in crew spending slightly behind the USVI averaging US \$138.30 per crew member compared to US \$135.50 in St. Maarten (figures from the Business Research and Economic Advisors (BREA)). St. Maarten is one the few countries that showed both an increase in cruise passenger spending and passenger arrival, according to the study. The BREA report revealed that as it aggressively pursues market share, St. Kitts and Nevis cruise passenger arrivals have increased by 50 per cent in the past year. These competitive threats to the Territory's existing market share are increasing as St. Maarten has committed to meet customer demand for larger berths and as the USVI's ability to satisfy customer demand for

larger accommodations has been called into question as a result of certain structural inefficiencies in the Territory's overall approach to the cruise ship industry (as discussed below).

The purpose of this memorandum is to (A) identify specific opportunities for operation of fiscal improvements and (B) propose an alternative public/private partnership with Island Global Yachting Ltd. which we believe would create conditions for the Territory to emerge as the clear industry leader and for significant economic growth in the years to come.

## II. The Assets

### A. The Ports and Port Operators

*The West Indian Company Ltd. ("WICO").* WICO is a quasi independent instrumentality of the USVI government whose sole shareholder is the Virgin Islands Public Finance Authority (the "PFA"). The PFA is a public corporation and autonomous government enterprise the purpose of which is to aid the Government in the performance of its fiscal duties and to raise capital for essential public projects. The PFA is also empowered to borrow money and issue bonds to encourage private enterprise investments that maximize employment opportunities and better the lives of all Virgin Islanders. We understand that, at present, the PFA is not in a position to financial support to WICO. WICO owns and operates the most important cruise ship terminal in the USVI located in Charlotte Amalie. Additionally, WICO is the ground landlord to Yacht Haven Grande ("YHG") and is currently the manager of the Havensight Mall ("Havensight"). WICO also owns significant undeveloped lands up the hill adjacent to the south end of the piers amid the ground lease under Port-of-Sale mall immediately to the east of YHG. Finally, WICO owns Government House (which is the official residence of the Governor of the USVI although it is not presently used as such). WICO derives its operating revenues from fees charged to users of its cruise ship dock as well as from rental income received from YHG. We understand that, other than an existing obligation for payments in lieu of taxes ("PILOT") WICO does not receive nor does it contribute any funds to the USVI government.

*Virgin Islands Port Authority ("VIPA").* VIPA owns and operates all of the public seaports in the Virgin Islands except the WICO dock in Havensight, St. Thomas. VIPA derives its operating revenues from user fees and rental fees charged to users of its airport and marine facilities throughout the USVI. According to its web site, the agency does not receive nor does it contribute any funds to the USVI government. Federal and state government grants are given to the VIPA to support its capital construction programs - provided that VIPA meets all eligibility requirements. Among other unrelated facilities, the VIPA controls and operates two cruise ship points of disembarkation in the USVI (listed below). The VIPA also operates the waterfront in the Charlotte Amalie Harbor, encompasses 3,200 feet of bulkhead space that runs parallel to the shopping district.

**The Ann E. Abramson Marine Facility**, located in Frederiksted, is the main cruise ship port in St. Croix. The 1,526-foot pier has drafts of 29 feet on the north and 36 feet on the south side of the pier. Voyager-class vessels can berth on the southern portion of the dock, and eagle-class and smaller vessels may berth on either side. Anchorage is also available in the outer harbor for larger ships. As an incentive to prospective cruise lines, VIPA has waived all marine fees for cruise ships visiting St. Croix.

**The Austin "Babe" Monsanto Marine Facility**, located in Crown Bay, St. Thomas has two docks which can accommodate three cruise ships simultaneously. The main dock has two berths. The south side of the dock is 940 feet in length with a draft of 37 feet, and the north side of the dock is 940 feet in length with a draft of 28 feet. The adjoining dock is 435 feet in length with a draft of 27 feet. In 2003, the VIPA invested \$28 million to develop the Crown Bay Center - a commercial facility that offers shopping and dining.

## **B. The Retailers**

Yacht Haven Grande ("YHG"). YHG is a development of Island Global Yachting Ltd. ("IGY") phase I of which was substantially completed in 2006. YHG is luxury mixed use retail, marine and commercial development located immediately adjacent to and west of the WICO dock. YHG was the single largest private redevelopment initiative undertaken in the USVI pursuant to which in excess of \$150 million was invested. YHG has created, directly and indirectly, approximately 435 jobs (post construction) through its on-site third party tenants as well as the current YHG staff of 39. YHG's operations also support numerous local businesses and contractors ranging from landscapers and tradesman to high end caterers and yacht service companies.

YHG was originally designed and conceived many years ago after long discussions with governmental, private-sector, and community based groups in the USVI. The following core principals were outlined at that time: (i) bring luxury yachts back to St. Thomas by building a state of the art mega yacht marina (ii) serve as a crucial pedestrian and cultural link along the St. Thomas harbor, reconnecting the Havensight area with historic downtown Charlotte Amalie and (iii) create a beautiful place for the public, tourist and locals, to shop, work, eat, and play in a secure environment as well as enhancing the surrounding neighborhood. Today, YHG is known as the premier marina facility for mega yachts in the Caribbean as well as a luxury Galleria Mall with high-end designer boutiques, including Coach, BCBG Max Azria, bebe, White House | Black Market, Louis Vuitton, and Gucci as well as a mix of local establishments, including Bella Vera, Kool Kidz, Fat Turtle, Grande Cru and Bad Ass Coffee. To date the following has been completed at YHG:

- 48-slip concrete mega yacht dock providing in-slip utilities, wifi and water pump out services
- Marina Office
- On-Site US Customs Office
- Fuel Dock
- Underground Fuel Storage Tanks
- Dingy Docks
- Approximately 135,000 sq ft of commercial space (retail, office, restaurants)
- Underground drainage and utilities
- WAPA Substation Contribution
- Irrigation & Landscaping improvements to the project as well as the cruise ship entrance
- 12 Unit Condominium Building (each unit with 3 bedroom suites)
- Fitness Centre (located on second floor of Condominium Building)
- Onsite Road Paving & Open Air 320 space Parking Lot
- Paved Pedestrian Esplanade, Two Fountains, Kiosks for local vendors
- Two Tennis Courts, Volley Ball court and Swimming Pool
- Decorative Fencing, Entrance Gate, and Welcome Centre
- Waterfront Boardwalk to downtown Charlotte Amalie

Havensight Mall ("Havensight"). Havensight is owned by the USVI Government Employees Retirement System ("GERS") and sits to and east of the WICO dock. WICO is the manager of Havensight on behalf of GERS. Havensight is an older facility and primarily caters primarily to duty free purchases of inexpensive souvenirs and liquor and jewelry. Most, if not all, cruise ship passengers at the WICO dock disembark immediately in front of Havensight, and most, if not all shore excursions which originate via taxi – commence and terminate at Havensight.

Crown Bay Center ("Crown Bay"). Crown Bay is owned by the VIPA and is part of the The Austin "Babe" Monsanto Marine Facility. Crown Bay caters primarily to duty free purchases of inexpensive souvenirs, liquor and jewelry.

The Downtown Merchants. The merchants of Downtown Charlotte Amalie represent a robust and diverse contingent of retail ranging from perfume and jewelry to restaurants and apparel. It is the core of the “authentic” St. Thomas tourist experience.

### III. A Fragmented and Non-Strategic Approach

Unlike St. Maarten and other emerging destinations, the USVI’s approach to the entire cruise ship industry appears fragmented and somewhat non-strategic. In part, this may have been a result of a less competitive landscape. However, as the global economy deteriorated and competition from neighboring islands has grown, the lack of a holistic strategy has become a more apparent impediment to growth of small businesses and has placed this critical component of the USVI economy at greater risk from outside competitors.

#### A. The Opportunity to Leverage Port Infrastructure

At present, VIPA and WICO, two different instrumentalities of the USVI government, each with its own staff members are independently operating the cruise ship infrastructure of the USVI which consists of 5 total docks (3 at WICO and 2 at Crown Bay). Of the 5 total berths, not all are the same and certain berths are better suited to accommodate larger vessels. Additionally, certain lines may prefer to berth at one facility versus the other. Each of WICO and the VIPA has its own strategy, administration and approach to the business. For example, we understand that the Austin “Babe” Monsanto Marine Facility entered into long term preferential berthing agreements with Holland America and Princess (which we understand are set to expire in a few years) while WICO (whose largest customers are Royal Caribbean, Carnival and Disney) prefers not to enter into any long term preferential berthing contracts. Each agency has in effect a different set of policies and procedures for taking reservations from cruise lines – with WICO accepting soft reservations over a year in advance and Crown Bay unable to accept reservations (other than for Holland and Princess) outside of a 30-day window. It is our understanding that neither agency employs any yield management or other strategy to enhance revenues during peak demand.

We also understand that VIPA charges a set fee per passenger at both the WICO dock and the Crown Bay Dock. At the Crown Bay Dock, VIPA charges a fixed retail fee to cruise lines and a discounted fee to Holland and Princess which have long term requirements contracts (the “VIPA Crown Bay Fee”). At the WICO dock, the per passenger fee is broken into completely separate components. The VIPA charges a fee which is lower than its Crown Bay fee for all passengers disembarking at the WICO dock (the “VIPA-Havensight Fee”). VIPA provides no services to either passengers or cruise lines at the WICO dock in exchange for this fee. The cruise lines remit these fees directly to VIPA. We understand that WICO separately charges a per passenger fee (the “WICO Fee”) in addition to the VIPA-Havensight Fee. We understand that together the VIPA fees charged by WICO plus the VIPA-Havensight Fee roughly equal the total undiscounted fee charged by VIPA at Crown Bay. WICO does not have control over or influence with respect to the VIPA-Havensight Fee.

These vastly different berthing strategies, uncoordinated operational structures and disjointed pricing represent inherent limits on the Territory’s ability to maximize the value of its infrastructure. The USVI has one of the largest inventories of cruise line berths in the Caribbean as well as very high demand relative to the rest of the market. An opportunity exists to develop a coordinated strategic, operational and marketing approach to fully leveraging its strategic US location, existing infrastructure and duty exemption allowance to drive overall per passenger pricing and revenues, increase total berth occupancies (including in St. Croix) and berth efficiency as well as meet the growing needs of the cruise lines. Further, the existing fee structure has several significant drawbacks for both the Territory and in particular, WICO. The two agency system (or at a minimum the inability of the two agencies to enter into a formal agreement regarding the strategic approach to inventory and pricing) has resulted in what appears to be either an artificial competition which may be keeping per passenger prices artificially low or a failure to fully examine a collective ability to manage its pricing based on overall product demand. Correcting this structural inefficiency can create tremendous competitive advantage for St. Thomas in competing with other destinations.

VIPA and WICO are both instrumentalities of the Government of the Virgin Islands. However, they are each subject to different set of rules and regulatory regimes which have a significant impact on the overall economics of the industry. For example, in order to remain competitive, WICO geared its pricing to achieve relative parity with Crown Bay, however, WICO has no control over the VIPA-Havensight Fee. Therefore WICO has little to no ability to raise its rates without an action by the VIPA to either raise its rates at Crown Bay or lower the VIPA-Havensight Fee. In fact, WICO could find itself in a position requiring it to lower rates should the VIPA-Havensight Fee be increased without an overall fee increase by the VIPA at Crown Bay. Moreover, WICO must ensure an operation equivalent to Crown Bay with what understand to be half the per passenger revenue as a large portion of the revenue attributable to the WICO dock is allocated to the VIPA. Based on the financial information provided, this fee structure has proven unsustainable for WICO as it faces major challenges accessing the capital markets to meet the demands of its customer base (discussed below).

In addition to issues around fee structure discussed above, we understand WICO to be subject to what amounts to be a different exaction regime than the VIPA. In particular, WICO is subject to an annual PILOT obligation totaling \$700,000 or 8% of its total operating revenues. Much like the VIPA-Havensight Fee, the PILOT is an additional government levy on WICO's gross revenues. We understand that WICO has been unable to make the PILOT payment and a large accrued liability of approximately \$5 million sits on its balance sheet which is an yet another impediment to WICO's ability to access the capital markets. It is our understanding that WICO must do so in the short term to both meet its obligations to its lender (discussed below) as well as to raise new capital to meet the demands of its customers to provide new infrastructure to accommodate larger vessels (discussed below).

#### **B. A Non-Strategic Approach to Passenger Distribution to Retail Centers**

As stated above, St. Thomas is visited by over 1.7 million cruise ship passengers each year (each with a \$1600 duty free allowance) however the distribution of passengers to the various outlets in St. Thomas is somewhat tortured. While the drivers for several successful retail outlets in St. Thomas are clearly in place, many of the property owners and merchants continue to experience poor operating results. We believe that this is at least in part a result of the disjointed approach to the overall management and strategy of the cruise ship industry and several conflicts of interest that diminish the potential arrival experience on St. Thomas.

The retail rental rates across Crown Bay, Havensight, Downtown and YHG (in particular) and overall tenancies have suffered in recent years due in part to (i) poor distribution of higher end vessels to Crown Bay where a lower quality retail outlet occupies the Crown Bay Center (i.e. keeping those tourists with greater spend away from the higher end products located in both Downtown and YHG) (ii) an existing and continuing conflict of interest among WICO in its capacity as YHG's ground landlord and WICO in its capacity as manager of the Havensight Mall on behalf of GERS and (iii) the challenges associated with organizing and managing the taxi associations.

As manager of the Havensight Mall, WICO has been unable to balance the demands by GERS and the Havensight merchants to direct passengers to Havensight and its obligations to support the operations and development of its tenant, YHG. This has resulted in a visually unpleasant and highly confusing passenger arrival experience. Rather than being officially welcomed to the Territory, on inspection many tourists seem lost and confused by the patchwork of fences, barriers and taxis that greet them upon disembarkation. Further, the taxi associations which work at the WICO dock have little incentive to direct traffic to nearby outlets as it results in lower fares. Rather, taxi drivers encourage a trip to the Downtown Merchants or Crown Bay Center over YHG or encourage a drop off at Havensight from Downtown instead of YHG. In fact, it is our experience that most passengers on arrival are largely unaware of the unique retail experience which could await them stretching from Havensight to Downtown Charlotte Amalie. Over the years the taxi unions have resisted all efforts at a harborwide water transport system which would effectively level the playing field for all merchants and, if established

and operated properly, could materially enhance the overall customer experience. This culture is further evidenced by a host of competing initiatives surrounding downtown revitalization efforts and other rumored efforts at economic development which are all aimed at the same result however without clear coordination.

In the case of YHG in particular, the dramatic effect of these conflicts and lack of island wide berthing strategy has resulted in an artificial lack of high value foot traffic through the property, the life force of any retail market. It has driven the rents through the floor, resulted in the failure of many retail tenants, and has materially compromised the value of YHG and the Territory's ability to leverage YHG (consistently voted the Caribbean's premier shopping destination). Properly positioned and coordinated with other properties, YHG could provide a unique competitive advantage to all of St. Thomas when marketing to either bring additional cruise ships to the Territory or to justify a higher rate structure. Unfortunately, despite its unique beauty, retail and dining experiences, YHG cannot lure new branded tenants to the property as these conflicts are well known throughout the retail community. Therefore, despite having a world class collection of shops and dedicated infrastructure unseen on most competing islands, the property ultimately failed to generate cash flows adequate to succeed and the property has been supported by significant equity contributions from IGY. IGY/YHG have stuck by both the project and BPPR by having provided, over time, an additional approximately \$50 million of equity beyond its initial investment. IGY continues to shoulder the responsibility of working to make this project prosper, but its efforts continue to be thwarted by the situation at hand.

We believe that in light of these conflicts and the failure to capitalize on the many potential synergies from Crown Bay to WICO that many island retailers, including YHG, have simply been forced to play a zero sum game approach to the entire cruise ship industry. Rather than viewing the entire harbor as single integrated commercial and retail offering which far surpasses the offerings of any other destination (including St. Maarten) and is a material advantage to increase market share of total Caribbean passengers and total per passenger spend, private resources are spent in attempts to further fragment an already confusing marketplace. It is our ambition to work with the USVI Government to start to remedy this situation.

#### IV. Capital Market Challenges

We understand that WICO has several financial and development commitments to satisfy. However the inability to fully leverage WICO's assets as set forth above are an impediment to WICO's accessing the capital markets in any meaningful way.

- A. *Existing WICO Loan Facility / PILOT Obligations.* We understand that WICO is presently in debt to Banco Popular de Puerto Rico ("BPPR") pursuant to a senior secured facility in the current principle amount of approximately \$22 million. The facility matures in 2018. We understand that the facility is secured by WICO's leaseholds (including the ground leases to YHG) and its gross revenues. WICO has indicated publicly that it is in default to the government of the USVI in connection with 7 years of PILOT payments (discussed above) which should prime all other balance sheet liabilities of WICO resulting in the \$22 mm of debt owing to BPPR being subordinated to the \$5 million in delinquent PILOT payments. Based on cash flow projections provided by WICO and based on its present operations, the operating cash flow generated by the company would appear to be inadequate to service the existing BPPR debt on a current basis. WICO has no present way to satisfy this obligation. It is our understanding that while the Governor of the USVI has the authority to settle the past due amounts, only an act of the legislature of the USVI can modify the amount and form of the annual PILOT payments. Clearly we need more information on this front.
- B. *WICO's Development Commitments.* We understand that WICO has accepted reservations with several cruise ship lines in anticipation of completing a 125' extension of the existing pier, replacing several existing bollards and repairing some erosion of the northern end of the pier at the apron. The extension, replacement and repairs are to be completed by November of 2013. The cost of such work is said to

approximate \$9 million. WICO does not presently have the funds to complete this work. Without completing this work, WICO will be unable to honor some of these reservations which will result in a significant loss of headcount revenue in the coming year and beyond as new Genesis class ships are introduced into the Caribbean market. The long term implications of such a dynamic are unknown at present. That said, the cruise ship industry is indispensable to the economy of the USVI and St. Thomas in particular. Competition for the ships, especially the larger ships, is fierce and St. Thomas could be at risk a diminution in the number of passenger ship visits if it is unable to provide adequate facilities for larger ships in the long term. St. Maarten, by contrast, has continually upgraded and expanded their facilities over the years and has, as a result, captured an increasingly large share of the Eastern Caribbean cruise ship market. We understand that St. Maarten is currently upgrading its infrastructure to accommodate 8 vessels of unrestricted size. WICO (and by extension the USVI) would propose to compete with that effort by building another major pier on the west side of Yacht Haven Grande (which would require extensive cooperation of YHG and IGY and is estimated by WICO to cost approximately \$50 million).

At a minimum, WICO requires adequate funds to complete at least the first phase of the work promised to the cruise ship lines. This phase would cost approximately \$9 million. It is fairly clear that even if the projections being circulated by WICO showed that operations could support the additional financing, anything proposed to be done in connection with the raising of such funds will likely require the consent of BPPR as it presently has a lien on 100% of the collateral. Also, it is unlikely that new money can be introduced to the mix without a complete resolution of both the past due amounts due the USVI government and, at least, the subordination of any and all future PILOT payments to the existing BPPR indebtedness and the new money needed for the capital projects. Again it is our understanding that the latter will require an act of the legislature.

Therefore WICO's ability to access the capital markets to refinance its existing debt and secure new development financing is wholly contingent on its ability to both increase the per passenger fees it charges the cruise ships at its facilities and reduce its PILOT obligation. It can do neither without meaningful participation from the USVI government to alter the status quo as has been outlined above.

- C. *Banco Popular de Puerto Rico ("BPPR")*. BPPR is the mortgagee on the entirety of YHG as well as the sole senior secured creditor of WICO. While the payments are current, WICO's monetary defaults under the PILOT payments may have placed it in technical default under the BPPR debt. Any new financing will require the support and cooperation of BPPR unless a new lender is prepared to come in and refinance the entirety of the BPPR facility. We consider this outcome to be extremely unlikely under the present circumstances. Further complicating matters is that the collateral package that BPPR has for the WICO loan relies on the ability of YHG to make its ground lease payments to WICO (i.e. YHG must be successful) in addition to the health of WICO's cruise ship operations. That is because the largest component of the leasehold assets owned by WICO is the west end of the YHG property which YHG has leased. Thus, a failure of YHG to make lease payments because YHG cannot generate the shopping traffic to maintain retail rents and occupancies further compromises the value of BPPR's loan to WICO. Effectively BPPR has the same collateral for both the YHG mortgage and the WICO loan.

## **The Opportunity**

We are proposing the creation of a focused and dedicated enterprise with the sole purpose of working to better leverage the cruise ship industry related assets for the benefit of the industry stakeholders and the entire Territory.

**Unified Port Management Structure.** All Territorial assets dedicated to berth cruise ships including the WICO dock, Crown Bay, the Anne Abramson Facility in St. Croix and the Charlotte Amalie waterfront would be folded into a new entity owned by a joint venture between VIPA, WICO and IGY. This would allow a single manager to better assess and price market demand, control per passenger pricing, leverage St. Thomas' influence to direct

cruise ships to St. Croix, yield manage and exert influence over cruise lines. Further, with all pricing under the control of WICO, it can better access the capital markets both for its near term development and for the new dock to be built on the West end of YHG which would be of enormous financial benefit to YHG, Havensight and the Downtown Merchants. Additionally, WICO would be able to distribute higher end ships more appropriately in the Territory. WICO's experience and independence places it in the best position to manage this effort.

#### **Capitalization and Other Matters.**

This new entity would be owned jointly in a public private partnership between VIPA, WICO and IGY. IGY would contribute new equity capital, the submerged land on the west end of YHG (which is currently controlled by YHG and subject to a 80+ year lease from WICO) to facilitate the construction of the new cruise ship docks. The existing BPPR WICO facility would be extended and modified in exchange for a principal payment. The new venture would access from BPPR a new \$15 million secured revolving credit facility to be used exclusively to make loans to or otherwise finance the capital requirements of the new venture WICO in connection with the phase I pier expansion.

The new venture would: (a) under the direction of the Governor address the existing conflicts with both the taxi unions and the Havensight Merchants/GERS and ensure the proper and equitable flow of passenger traffic from the cruise ship docks throughout Havensight and YHG property thereby providing benefits to consumers, YHG and BPPR, (b) quickly work to complete the expansion of the piers as agreed with the cruise ship lines, (c) settle the outstanding obligations of WICO with the government (as a condition precedent to the provision of financing by IGY), (d) modify the ongoing PILOT obligations through appropriate legislation (also as a condition precedent to the provision of financing), and (e) negotiate with the cruise ship lines to increase the existing WICO head tax and organize equity contributions from the cruise lines towards the building of the new piers at the west end of the YHG property.

It is our belief that this venture could effectively addresses many of the issues with which the VIPA, WICO, YHG, IGY and other stakeholders throughout the Territory are now confronted in an extremely constructive and holistic manner. We believe that this approach is a vital step towards greater economic gains in this industry which could await Territory. Properly implemented, cruise ship berthing and the attendant industries could see 20% annual gains for St. Thomas, employment opportunities would number in the thousands, and St. Thomas could decisively reestablish it's dominant role as the cruise and yachting capital of the East Caribbean. The opportunity is before us and the component parts are readily accessible. We await your instructions.