EXHIBIT I

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Downgrades Virgin Islands Matching Fund Rev. Bonds to B1 & B2 from Baa2 & Baa3; Outlook Negative

Global Credit Research - 30 Jun 2016

New York, June 30, 2016 -- Summary Rating Rationale

Moody's Investors Service has downgraded the ratings on the US Virgin Islands' four liens of Matching Fund Revenue Bonds, issued through the Virgin Islands Public Finance Authority, as follows: Senior Lien Bonds to B1 from Baa2; Subordinate Lien Bonds to B1 from Baa2; Subordinated Indenture (Diageo) Bonds to B2 from Baa3; and Subordinated Indenture (Cruzan) Bonds to B2 from Baa3. The bonds are secured by "matching fund" revenues which are remittances paid by the federal government to the Virgin Islands government of a portion of federal excise taxes collected on rum produced in the territory and shipped to the US mainland. The rating action affects approximately $1.24 billion in outstanding debt.

The rating downgrades primarily reflect a closer alignment of these special tax ratings with the Virgin Islands government's general credit position, which has continued to erode and reached a severely weak condition. The government's challenged financial position increases the possibility that it will use the matching fund revenue credit for new deficit financings, as it has in the past. Additionally, while the legal structure of the matching fund bonds is stronger than the government's unsecured general credit quality (see Legal Security, below) this has not been tested in a stress scenario, and warrants a closer alignment of the matching fund bonds with the government's credit as its finances weaken. Key characteristics of the government's general credit profile include: persistent general fund deficits addressed primarily with repeated deficit financings; very high and rising debt levels; declining gross domestic product and population; high unemployment; and a large unfunded pension liability. A further challenge is the government's need to access the capital markets to balance its budget and to bolster its liquidity, and the severe stress that could result without this access.

To a lesser extent, the downgrades also reflect a decline in pledged matching fund revenues and debt service coverage in 2015 primarily attributable to a reduction in shipments by one of the territory's two rum distilleries. Future coverage could decline further if the territory is successful in its plans for debt refinancing and new money issuances.

The ratings recognize that the bonds possess a number of structural features that provide bondholder protections and stronger credit quality than unsecured general obligation bonds, most notably the direct payment of pledged revenues to the US Treasury to the special escrow agent/trustee. The government has pledged and assigned matching fund revenues to the trustee for the benefit of bondholders, establishing a security interest in the revenues. The statutes are written to create a statutory lien on the revenues. But we note the instruction to the US Treasury to make the direct payment must be renewed annually by the Virgin Islands government, and these structures have not been tested in a stress scenario where the government faces a severe lack of funds to provide basic services.

Rating Outlook

The outlook on the ratings is negative, reflecting the severe fiscal challenges facing the government, its need to access the capital markets to balance its budget, and the possibility that its liquidity and general credit profile could continue to deteriorate.

Factors that Could Lead to an Upgrade

Restoration and maintenance of structural budget balance by the primary government.

Factors that Could Lead to a Downgrade

Failure of the government to access capital market for planned financings.

Further erosion of government's liquidity.

Decline in matching fund revenues and debt service coverage due to further reduction in rum shipments by the two distilleries.

Legal Security

Bond security is established by the trust indenture, the loan agreement, the special escrow agreement, and Virgin Islands statutes. The government has pledged and assigned matching fund revenues to the trustee for the benefit of bondholders, establishing a security interest in the revenues. The statutes are written to create a statutory lien on the revenues. In the loan agreement the government covenants to direct the US Treasury to pay the pledged matching fund revenues directly to the trustee. This structure provides apparent bondholder protections and stronger credit quality than unsecured general obligation bonds, but it has not been tested in a severe stress scenario.

Use of Proceeds

Not applicable.

Obligor Profile

With the closure of the Hovensa oil refinery in 2012, the territory's economy is primarily concentrated in tourism. While there have been some positive trends in visitor counts since the recession, GDP continues to decline, dropping at a compounded annual rate of 2.7% from 2009 to 2014. Population fell from 115,852 in 2008 to 103,961 in 2014, while non-agricultural employment fell from 45,488 to 38,144 over the same period. Unemployment at 11.9% in 2015 was more than twice the US levels. Per capita personal income is 47.9% of the US level.

Government finances have been severely strained. Revenues fell abruptly in fiscal 2008 and 2009 as a result of the recession and operating losses at the Hovensa refinery. The government addressed the resulting deficits primarily with deficit financings. Revenues have recovered somewhat in recent years. The Hovensa refinery was recently sold generating a $220 million one-time payment which will benefit government finances and liquidity in fiscal 2016. Nevertheless, the general fund still has a structural deficit. For fiscal 2017, the government estimates a structural imbalance of $110 million and has proposed to address it with $55 million in debt service savings from a debt refinancing and $50 million from a new deficit financing.

Methodology

The principal methodology used in this rating was US Public Finance Special Tax Methodology published in January 2014. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

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