

Invest: USVI Alexander Hamilton Opportunity Fund



**Alexander Hamilton
Opportunity Fund**

Alexander Hamilton, An American Founding Father & First US Treasury Secretary. Founder of Bank of New York and US First Central Bank. Featured on the US Ten Dollar

St. Croix, US Virgin Islands was the Boyhood Home of Alexander Hamilton

SEDI Invest: USVI & Capital Market

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Executive Summary

In 2007 a Public Private Partnership (PPP) agenda to tackle the economic stagnation and lack of industrial diversification of St. Croix economy was addressed in the form of the St. Croix Economic Summit, then subsequently spun off and created the St. Croix Economic Development Initiative (SEDI), as a macroeconomic and public policy think tank. SEDI as a nonprofit entity is at the forefront of business, economic, project and community development opportunities. SEDI's role became more evident, realizing then there was a more deeper fundamental systematic macro-economic policy disconnect on capital market formation, a fragmented inter-island telecommunications infrastructure to the fiber-optic network landing station, and the USVI being conspicuously unengaged in the larger regional and global ecosystem. Consequently, the SEDI mission has evolved to encompass connecting the US Virgin Islands more regionally and globally on trade, commerce and investments. SEDI's underlying industry sector initiatives is to build and attract new capital market investments, build a world-class technology hub (Silicon Island), and the implementation of a Caribbean-Americas Single Economy (CASE) plan.

To lead this effort SEDI has launched and is sponsoring its program and project Initiatives of Invest: USVI, Startup VI, Alexander Hamilton Opportunity Fund & Entrex OZ Capital Market (in partnership Entrex Capital Market/IBM).

SEDI as a nonprofit is facilitating the process of sponsoring the development of the Alexander Hamilton Opportunity Fund. The Alexander Hamilton Opportunity Fund will operate as a for profit and independent company with a separate entity as the sponsored fund manager, through our strategic collaborative partnerships that is poised to stimulate and spur economic development opportunities, expansion, and growth. Investors in the Alexander Hamilton Opportunity Fund will be the shareholders and owners of the fund. SEDI various strategic partnerships will bring to bear capital markets formation dynamics and mechanisms to foster investments to fund capital projects, real estate development, supply chain logistics & technology integration. The Alexander Hamilton Opportunity Fund investment strategy will be hallmarked and a catalyst for an industrial renaissance to create jobs and economic prosperity in the US Virgin Islands (USVI).

SEDI is aiming to establish St. Croix, USVI as a new emerging major global commercial, technology, and transportation hub (create a new international shipping industry, increase new airlift and cargo capacity), partnering with other ports, markets, industry partners doing business in the US and around the world.

The Alexander Hamilton Opportunity Fund will pursue the acquisition of St. Croix Renaissance Park & Port St. Croix property for industrial, technological and commercial mixed-use development in the development of the Caribbean-Americas Single Economy (CASE) and USVI-TAIWAN bilateral relations to facilitate international trade. St. Croix Renaissance Park &

Port St. Croix will be the economic development centerpiece and catalyst for a new industrial renaissance in St. Croix, USVI.

The acquisition value proposition and merit of St. Croix Renaissance Park & Port St. Croix will be tied in with the US Strategic Engagement Act with the Caribbean by our US Congress and the White House of 2016, and forging of the current USVI-TAIWAN Relations in connection in the anticipated opening of a USVI-TAIWAN Investment and Trade Office in Taiwan. The current trade tension, dispute and environment between the US and China has created a unique opportunity for the USVI-Taiwan Relations regarding trade to the US Mainland. SEDI collaborating with its public sector economic development partners, will apply PPP approach to spur an industrial renaissance, leveraging assets, infrastructure (ports, energy refinery, and Laws & Policies (Jones Act Exemption, Danish Law 64, US Strategic Engagement Act, Opportunity Zones and USVI EDC & UVI RT Park Tax Incentive), to attract companies to the Park. In addition, applying the pending Free Trade Zone VI Legislation by Senator Novelle Francis.

These economic development opportunities are being stimulated in part of place-based policies like the Investment Opportunity Act (Opportunity Zones) created by the Tax Cut & Jobs Act 2017. In addition, the USVI is scheduled to receive an estimated \$11 billion of post recovery Irma and Maria hurricane of damages, according to FEMA. The Alexander Hamilton Opportunity Fund can serve as an investment vehicle to assist the Virgin Islands Government to leverage these Federal recovery dollars.

SEDI's vision for the St. Croix Renaissance Park & Port St. Croix will be comparable to other industrial complex development characteristics, dynamics and the successes like the Brooklyn Navy Yard and the Port of Tampa. The plan is to follow the same playbook in the transformation of St. Croix Renaissance.

Planned Proposed Acquisition of St. Croix Renaissance Park & Port St. Croix - Purchase Price \$100 Million

For more than a half-century St. Croix industrial deep-water harbor on the South Shore has been the hub for some of the world's heavy industrial companies from the US, ranging from oil to aluminum production and now rum production, which created thousands of jobs. Prior to the closure of the HOVENSA Oil Refinery closure in 2011, for almost 50 years HESS Corporation a public traded company built an \$11 billion per year revenue operation on St. Croix. The oil refinery's new owners are Arclight Capital Partners in partnership with BP Oil who are currently investing \$1.6 billion to refurbishment and restart the oil refinery. However, before HESS Oil built one of the world's largest oil refineries (formerly ranked as the third largest in the world) there was Harvey Aluminum and subsequent multinational companies owners such as Martin Marrietta and Alcoa Aluminum located on the St. Croix Renaissance Park and Port St. Croix site. St. Croix Renaissance Park is no longer home to these aluminum companies and is now

the operating base of Diageo Captain Morgan Rum Distillery, a 20 million gallon rum facility and the primary anchor tenant of the St. Croix Renaissance Park. Diageo is one of the world's largest spirits companies.

We have seen the transformation of this industrial site from its former glory as a heavy industrial manufacturing site to now potentially what can be developed into a major global commercial, industrial and technology hub. Today, St. Croix Renaissance Park and Port St. Croix is a 1,244-acre industrial park located on the south coast of St. Croix in the U.S. Virgin Islands. The property includes industrial and commercial sites, a power plant, and a deepwater port. And is centrally located geographically for transshipment to continents like North America, South America, Europe, Africa, and Central America and the Caribbean. The Park offers Tax Incentives, World-Class Telecommunications, Made in the USA labeling and Exclusion from the Jones Act.

Shipyard Drydock Repair & Maintenance at Port St. Croix - Development Cost \$80-100 Million

The Navy released its first-ever long-range ship maintenance and modernization plan amid a growing fleet and a growing backlog of repair work, and the report highlights challenges in dealing with chronic mismatches between maintenance requirements and yards' capacity.

The Report to Congress on the Long-Range Plan for Maintenance and Modernization of Naval Vessels for Fiscal Year 2020, highlights a shortage of dry docks for surface ship maintenance and the need to improve existing infrastructure at public and private yards to keep up with newer classes of ships, as well as the need for process improvements to allow private shipyards and the supply chain to grow their capacity and move faster to respond to a growing fleet size.

Sustaining the 355-ship fleet will require changes to both public and private industrial capability and capacity. Current infrastructure will require update and refurbishment to support modern classes of ships and repair. Likewise, additional dry docks will be needed to address the growing fleet size. Navy and industry partners must create work environments where talented Americans will want to work and contribute to the national defense. This includes investments in updating facilities and capital equipment, and as well as providing that workforce training that is both modern and relevant and compensation commensurate with the skills required to repair Navy ships.

Leadership is lacking. Rather than employing the looming threat of maritime competition to demand better maintenance facilities and sufficient funding, somnolent Navy leaders have proposed a decades-long, \$21 billion plan to fix obsolete dry docks, recapitalize aged equipment and optimize facilities. Given the immediate threat of a great-power challenge at sea, the timeline is unrealistic. And even with a leisurely 20-year schedule, no shipyard manager on earth could modernize America's old and oversubscribed shipyards without risking major disruption.

SEDI affiliate member PetroMar International will provide the ship repair and maintenance expertise. PetroMar International was founded in 1995. Their worldwide headquarters is located in Stamford, CT and has branch offices in Houston, TX, Freeport Bahamas, St. Eustatius Dutch Caribbean and Athens Greece. PetroMar also maintains field offices in Port Everglades Florida, Long Beach California, Cartagena Colombia and Amuay Bay Venezuela.

CenturyLink World-class Telecommunication & Technology Infrastructure

Technologically, St. Croix has the second largest fiber optic bandwidth infrastructure in the world. The CenturyLink MAC system includes about 4,600 route miles (7,500 km) of fiber optic cable and landing stations in Brookhaven, New York; Hollywood, Florida; and St. Croix, U.S. Virgin Islands. MAC connects Global Crossing's Pan-American Crossing (PAC®), South American Crossing® (SAC®) and Atlantic Crossing-1 (AC1®) subsea systems to provide full connectivity between North America, Latin America, and Europe. Global Crossing expanded capacity on our SAC system in March and upgraded AC-1 in 2007. St. Croix Renaissance Park has the high-speed infrastructure connected to the CenturyLink fiber-optic network.

The U.S. Virgin Islands offers a unique opportunity for businesses engaged in eCommerce activity of digital content to take advantage of economic incentives and a world-class telecommunications infrastructure to increase shareholder value. This opportunity was developed by a focused effort by the federal and local governments, academia and the business community. In September 2006, the U.S. Treasury Department issued guideline examples that illustrate the types of eCommerce business endeavors that meet sourcing requirements to receive favorable tax benefits. The combination of bandwidth, intellectual property protection, and federal guidelines clarifying tax exemption rules provides a unique opportunity to maximize shareholder value by conducting eCommerce from the U.S. Virgin Islands. UVI Research and Technology Park (UVI RT Park) are the administrators of this special tax incentive program. UVI RT Park is the only research and technology park in the Caribbean, and SEDI is working collaboratively as an economic development partner.

Silicon Island Tech Hub - Last Mile Broadband Infrastructure Buildout Cost \$250-300 Million

SEDI member affiliated company ICGroup has all of the e-commerce tech tax exemption benefits and are not subject to the UVI RT Park approval application process. ICGroup also has the Economic Development Authority EDC tax exemption benefits. ICGroup as an affiliate of SEDI provides a full complement technology supply chain logistics and development expertise.

SEDI has entered into an MOU to partner with Quantum Broadband and Nokia/Corning proposing to build the last mile IoT broadband infrastructure turn-key project in the USVI, funded by Nokia/Corning. The Alexander Hamilton Fund will be the investment vehicle to facilitate the capital project raise.

High Electricity Cost Preventing Economic Growth

Due to the high cost of producing electricity and the occasional brown-outs caused by a lack of a centralized stable power grid in the USVI, it makes it very difficult and challenging to attract the manufacturing sector, technology industries and businesses with high demands for electricity to operate. We will develop a new power generating grid to be independent of WAPA, to be self-contained, reliable and sustainable by applying innovative energy technology and renewables. Create a market opportunity for the new low sulfur marine bunker fuel US federal regulatory requirements by the year 2020, with the restart of Limetree Refinery. In the past, the St. Croix Renaissance supplied water to the HOVENSA refinery, by producing its own electric power more efficiently and cheaper we can sell the extra capacity to the Limetree refinery and the Virgin Islands Water and Power Authority (WAPA). St. Croix Renaissance Park has the capacity to generate 60 megawatts of electric power, and help to centralize the WAPA Power Grid.

Lack of Hotel Room Inventory

William and Punch Amalago Bay Resort - \$300 Million

A major hotel/marina/residential resort (\$300 million), championship golf course, spa, conference/casino eco-sensitive development project, and an exclusive sports villa retreat of fitness training, physical therapy, and rehab program called Sportcation. Nestled on Seven Hundred Eighty-Seven (787) acres of the most exquisite premium beachfront real estate property in the Caribbean, Frederiksted, St. Croix. In a Qualified Opportunity Zone Project.

Central America and the Caribbean Regional Economic Overview

Trade has grown remarkably over the last century

The integration of national economies into a global economic system has been one of the most important developments of the last century. This process of integration, often called Globalization, has materialized in remarkable growth in trade between countries.

Over the last two centuries trade has grown remarkably, completely transforming the global economy. Today about one-fourth of total global production is exported. Understanding this transformative process is important because trade has generated gains, but it has also had important distributional consequences.

Trade transactions include both goods (tangible products that are physically shipped) and services (intangible commodities, such as tourism and financial services). The production chains

for these goods and services are becoming increasingly complex and global. According to recent estimates, about 30% of the value of global exports comes from foreign inputs. (Source: Our World In Data)

Unlocking the economic potential of Central America and the Caribbean

The region has seen rapid growth over the past 15 years, but a number of trends could affect whether the economies continue to grow.

Over the past 15 years,¹ the economies in Central America and the Caribbean (CAC) recorded an average annual GDP growth of around 4 percent, higher than the growth rates achieved by the Latin American average and most developed economies, but well below most other developing regions; regions such as South Asia and sub-Saharan Africa—and countries such as China or India— exhibited average annual growth of more than 5 percent during this period.

Seven trends affecting the region. As discussed, CAC has grown at a faster rate than the regional average, mainly driven by rapid productivity growth, a strong service sector, high levels of investment and household consumption, and macroeconomic stability.

Digital Revolution- According to the McKinsey Global Institute's January 2017 report *Harnessing automation for a future that works*, the rising automation of work activities, despite having the potential to boost global productivity by 0.8 to 1.4 percent per year by 2065, also generates a latent risk of labor displacement. However, the benefits of new technologies for users and businesses would contribute to further economic growth and job creation, allowing society to promote inclusive growth policies. Apart from this, the digital revolution also presents a key opportunity to transform government productivity from enabling data-driven decisions to the digitization of end-to-end processes and the reinvention of government interactions with citizens and businesses.

The Sophistication of Global Demand- Most of the region's economies has an export sector based on low-value-added products and services, while the larger and more dynamic sectors of CAC countries are being affected by a global shift in demand toward more sophisticated goods and services. Based on current export portfolios, most countries should strive to find opportunities for diversification, including an important transformation of the quality of education, which would enable building the human capital required to meet the needs of the new demand.

Market Diversification- Although international trade has expanded to emerging (mostly Asian) markets in recent years, CAC economies are still highly dependent on trade with the United States, in addition to their export industries depending on a few commodities and low-value-added products. However, the region has about 40 percent of all the free-trade agreements signed in Latin America, making it a region with a high potential for commercial integration with global fast-growing markets.

The Central American and Caribbean region mostly lags behind others in important indicators, such as human capital and innovation and technology.

- Human capital
- Infrastructure
- Access to credit
- Innovation and technology
- Government and business environment

The success of a new economic and social-development model requires both commitment from the public sector and the perspective of the private sector.

Incorporating capital into the banking system and thus increasing average saving rates and extending financial services to firms, especially small and medium-sized enterprises (SMEs).

Innovation and technology can be strengthened with the improvement of digital readiness, particularly by boosting digital infrastructure and regulations, digitizing government processes, and developing digital government strategies, as well as promoting innovation clusters, ecosystems, and developing an innovation pipeline.

Regarding the Government and Business Climate- Efforts should focus on facilitating business development (particularly focused on SMEs) and modernizing public institutions by tackling high informality levels; addressing security and corruption outbursts; eliminating unnecessary bureaucracy; pursuing fiscal, customs, and labor reforms; and modernizing and strengthening government capability building.

Strengthening Connectivity and Cooperation between the public and private sectors- The success of a new economic and social-development model requires both commitments from the public sector and the perspective of the private sector.

Regarding the Public Sector- The region should adjust the legal and regulatory framework to improve the business environment, link budgets with the development strategy, provide support, and focus on eliminating obstacles to implementation.

The Private Sector should bring its perspective to develop and deploy market-driven initiatives and investments, focus strategic priorities and generate productive and sustainable jobs.

By promoting vocational education programs, and with public-private training that leverages the capacities of formal training, the region could address human capital and thus benefit from greater cooperation. Technical on-the-job training via the private sector would help to close the gap between supply and demand of talent.

Boosting Intra-Regional Connectivity-Improving transportation infrastructure, enhancing trade facilitation, and strengthening commercial agreements among different countries and intergovernmental coordination would allow CAC to leverage its economic and demographic potential. In 2017, CAC countries had a cumulative GDP of close to \$400 billion and comprised more than 65 million people, making the region the 19th largest economy in the world and 23rd most populated.

CAC has an enormous potential to boost its growth in the medium and long term. This potential must be translated into a tangible impact for families and businesses across the region. This means ensuring that the growth model is inclusive: creating job opportunities that match labor-supply characteristics; formalizing large sectors, such as construction, trade, and agriculture; promoting SME growth and entrepreneurship; and fostering stronger linkages between multinationals and the local value chain. These are among the key initiatives required to ensure that economic growth trickles down to the entire population.

Governments should design and effectively implement public policies and regulations that enhance competitiveness and capture trade synergies between countries, ensuring that the potential translates into inclusive growth for the entire population of the region. They can also coordinate key stakeholders to align demand and supply in labor markets.

Companies should promote greater collaboration within the region to strengthen local value chains, work with governments to define national and regional economic development strategies, and, in general, adopt a longer-term vision of policies and growth initiatives. Business leaders can also act as spokespersons for the private sector, expressing their concerns and interests in conversations with external stakeholders.

Individuals also have responsibilities. Citizens must actively participate in development efforts and demand accountability. Students need to be informed about the needs and changes of the labor market, to pursue training in areas that can lead to employment. Workers must be proactive in acquiring new skills to stay relevant in the digital revolution.

We do not underestimate the scope of the changes needed to fulfill this potential. CAC economies have a difficult task ahead that can only be achieved through leadership and cooperation among all stakeholders. Shaping a new inclusive and sustainable growth agenda that leverages and strengthens ties can enable the rise of the region in upcoming years. (Source: McKinsey & Company)

SEDI Invest: USVI & Alexander Hamilton Opportunity Fund Capital Market - A New Capital Market System of Equity Investing, Venture Capital, Debt Financing from Opportunity Funds, EB-5 Foreign Direct Investments, with an Entrex/IBM Blockchain Platform, and Federal Government Matching Funds (under a PPP projects).