



March 12, 2018

VIA FEDEX AND CERTIFIED MAIL RETURN RECEIPT REQUESTED

Government of the Virgin Islands
Department of Public Works
Office of the Commissioner
No. 8 Sub Base
St. Thomas, U.S. Virgin Islands 00802
Attn: Commissioner

Virgin Islands of the United States
Department of Justice
48B-50C Kronprindsens Gade
GERS Building, 2nd Floor
Charlotte Amalie, St. Thomas, U.S. Virgin Islands 00802
Attn: Attorney General

RE: Failure to Pay Invoices / Notice of Default

Dear Commissioner Bough and the Honorable Claude Earl Walker:

This letter addresses the excessive amounts owed to Veolia Water North America – Caribbean, LLC (“Veolia”) for its services administered pursuant to Service Contract for the Design, Construction and Operation of Wastewater Treatment Facilities at St. Croix dated as of March 1, 2004 and the Service Contract for the Design, Construction and Operation of Wastewater Treatment Facilities at St. Thomas dated as of March 1, 2004 (collectively the “Service Contracts”).

As you know prior to “Veolia’s arrival in 2004, the Government of the United States Virgin Islands (“GVI”) was plagued by a poorly performing lagoon system that created detrimental environmental harms, resulting in litigation and eventually a United States EPA consent decree. The United States EPA consent decree required GVI to have a qualified third party design, build and operate wastewater treatment plants on St. Croix and St. Thomas. GVI engaged Veolia to provide those vital services.

Veolia and GVI have been partners for the two sites since 2004. Pursuant to the Service Contracts, Veolia delivered two state of the art treatment plants on time and on budget. The two plants serve the wastewater treatment needs of approximately 110,000 island residents and have achieved 100% compliance and effluent quality that exceeds regulatory requirements. The new wastewater treatment facilities provided, and continue to provide, the prominent standard of care for some of the most pristine water in the world.

While we recognize the enormous demands that Hurricanes Irma and Maria have placed on GVI’s resources, the amount now owed to Veolia has reached an untenable amount. GVI is the equivalent of 1.6 years behind in payments, has not made a meaningful payment to Veolia in approximately 18 months,

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and there has been limited communication from GVI regarding the more than four million six hundred sixty nine thousand dollars (\$4,669,000) outstanding balance. Veolia has repeatedly tried to engage GVI to sit down and work out a payment plan, but GVI has disregarded Veolia's numerous attempts to create a payment plan, and recently GVI has adopted a strategy of completely avoiding Veolia's phone calls, emails and letters.

Unfortunately GVI has left Veolia with no other choice but to exercise its contractual right under Section 14.3 and declare GVI in default for failure to pay amounts required under the Service Contracts. Veolia intends to terminate the Service Contracts if GVI does not pay the amount to Veolia within the thirty day cure period.

This letter shall not serve as a waiver of any term, provision, right or remedy available to Veolia pursuant to the Service Contracts or applicable law, nor shall this letter constitute a consent, waiver of, or excuse for any current, different or subsequent breach by GVI.

Regards,

Steven J Kruger
Senior Vice President of Operations – South
Veolia North America

CC: Government of the Virgin Islands
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Attn: Commissioner

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Chairman of the Governing Board of Directors
Virgin Islands Waste Management Authority

LaToya Williams
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Mr. Pedro Modesto,
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The Honorable Governor Kenneth Mapp
Governor of the United States Virgin Islands

The Honorable Senator Marvin A. Blyden
Chairman of the Housing, Public Works and Planning Committee