

February 9, 2014

Ms. Jennifer Nugent-Hill
ACE)/Chief Operating Officer
United States Virgin Islands
Economic Development Authority
8000 Nisky Shopping Center Suite 620
St. Thomas, USVI 00802

Dear Ms. Nugent- Hill,

This is in response to your Compliance Review Report, dated January 31, 2014 received via U.S. Post on February 5, 2014, for Financial Trust Company, Inc. (FTC) As Of December 31, 2008 and As Of March 23, 2012.

As instructed in your cover letter we are providing a response to the Compliance Report as we are not in agreement with your findings.

Our response are as noted herein.

Report covering the Period January 1, 2007 to December 31, 2008

The Beneficiary did not comply with the requirements of procurement process

Your report concludes that FTC did not comply with procurement requirements. We provide the following.

We strongly assert that FTC is a responsible *EDC Citizen* and take our obligation to the Virgin Islands community very seriously. FTC has always supported the premise on which the Economic Development Council (EDC) Program was founded and makes the utmost effort to support local Virgin Islands business. We note that in many instances our procurement of local goods would allow us to purchase off-island to be more cost effective, while falling within the procurement rules, however we have never purchased goods or services to save money at the expense of local Virgin Islands businesses. Any procurement with a Non-Virgin Islands supplier was due to circumstances that goods and service were not available locally. Your findings provide a summary of expenditures as provided in our annual report. However we believe your analysis is skewed as the report findings do not break out exempt procurements under *Section 708-706 4. - Contracts for professional services*. Although you do not take exception to procurement for the period January 1, 2009 to March 23, 2012 we provide these expenditures in our analysis as it demonstrates and supports our commitment to the Virgin Islands Community.

In our procurement process we reference your *Procurement Notice* and note that all of FTC's non-exempt procurements fall under simple procurements under Section 708-709, as they do not exceed contracts for over \$25,000, with the exception of occupancy costs which fall under FTC's lease with IYG-American Yacht Harbor.

GOODS AND SERVICES

YEAR	VI SUPPLIERS	NON-VI SUPPLIERS	TOTAL	PERCENTAGE OF PROCUREMENT IN THE U.S. VIRGIN ISLANDS
2008	240,234	19,476	259,710	93%
2007	205,515	27,376	232,891	88%
Total	445,749	46,852	492,601	90%
2012	65,899	1,369	67,168	98%
2011	239,042	2,089	241,131	99%
2010	213,101	4,709	217,810	98%
2009	185,510	4,771	190,281	97%
Total	703,552	12,938	716,490	98%

Reported procurement for Non-Virgin Islands suppliers were spent on the following:

YEAR	INSURANCE	SUPPLIES	UTILITIES	REPAIR/MAINTENANCE
2008	Excess liability insurance not available locally	Supplies to vendors for items not available locally such as Intuit and American Ribbon & Tonner Disbursements less than \$1000	Internet T-1 service procured through Sprint	Copier maintenance through the Xerox – Puerto Rico Disbursement less than \$700.
2007	Excess liability insurance not available locally	Supplies to vendors for items not available locally such as Intuit and American Ribbon & Tonner Disbursements less than \$1000	Not Applicable	Copier maintenance through the Xerox – Puerto Rico Disbursement less than \$250.

CAPITAL EXPENDITURES

YEAR	VI SUPPLIERS	NON-VI SUPPLIERS	TOTAL	PERCENTAGE OF PROCUREMENT IN THE U.S. VIRGIN ISLANDS
2007	29,925	0	29,925	100%
2008	9709	37,172	46,668	21%
Total	39,634	37,712	76,806	52%

Reported procurement for Non-Virgin Islands suppliers were spent on the following:

YEAR	Furniture	Office equipment
2008	Office chairs \$11,000	Phone switch and component phone parts \$25,000

CONTRIBUTIONS

The Compliance Report finds that during the period covered in this report the J. Epstein V.I. Foundation made contributions totaling \$26,500 to the St. Thomas-St. John Chamber of Commerce. The Foundation did not make contributions to the St. Thomas- ST. John Chamber of Commerce totaling \$26,500. The Foundation made contributions of \$4,000 in support of a new teacher's reception and an annual fundraiser.

Report covering the Period January 1, 2009 to March 31, 2012

Unable to determine the Beneficiary's compliance with Special Conditions three, four, five, seven and eight

We have attached the following:

- Special Condition Three: Copy of health insurance bills for the first and last month of each annual period noting that the Company provided and paid for 100% of health and dental benefits as well as life insurance coverage under the health insurance policy for both the employee and family coverage.
- Special Condition Four: Disbursement journal nothing payment to life insurance carriers for the period under review. Note the policies are for two times earnings and are maintained in the individual employee's name.
- Special Condition Five: Employee Payroll Summary (FTC payroll records) noting the Company provided its employees with a Simple IRA plan matching 100% of employee elective deferral at 3% of annual compensation.
- Special Condition Seven:
- Special Condition Eight: Disbursement journal for payments made under the tuition and continuing education reimbursement program made for those employees electing to take course work or continuing education.

We would note that although FTC suspended benefits on March 23, 2012 it maintained its commitments to its employee under the terms of its certificate with no reduction in benefits.

Did not comply with the reporting requirement of the EDC

For your records, we have attached the Lt. Governor's stamped copy of FTC's Annual Report and Franchise Tax Report filed in June of 2010, 2011, 2012. As well as a copy of Certificate of Good Standing, dated April 11, 2013, subsequent to the date of the compliance period ended March 23, 2012.

Company was out of compliance with Capital Investment, Special Condition 1 and 2.

We provide the following.

Financial Trust Company, Inc. submitted a renewal application on January 9, 2009 and received *Notice of a Recommendation of Benefits Granted* in December, 2009. FTC entered discussion with the EDC surrounding the condition of the benefits granted and received *Notice of Benefits Approved* in February 2010, with a description of the terms and conditions. FTC was in final negotiation surrounding the terms of the Special Conditions and received a signed Renewal Certificate executed on October 13, 2010.

During the period in which the Company was awaiting approval of its renewal terms it was instructed to operate under the terms of its original certificate. As such for the period April 1, 2009 to December 31, 2009 FTC followed the terms of its certificate executed on March 21, 2000.

Financial Trust Company, Inc was granted a suspension of benefits on March 23, 2012. In which the EDC noted that FTC would be held responsible for non-compliance through May 23, 2012. Accordingly, the Company finds that it is in compliance with the terms of its certificate using a proration of days benefits received as follows.

YEAR	DAYS
2009	275
2010	365
2011	365
2012	82
TOTAL	1087
DAYS UNDER THE RENEWAL CERTIFICATE PERIOD	1825
PERCENTAGE OF DAYS BENEFITS RECEIVED	59.6%

COMPLIANCE WITH CAPITAL INVESTMENT

YEAR	VI SUPPLERS	NON –VI
2012	8759	1,408
2011	13,362	15,402
2010	35,803	
2009	10,455	
TOTAL CAPITAL INVESTMENT	68,379	16,810
PRO-RATED REQUIREMENT -\$100,000 @ 59.6%	59,600	
CAPITAL EXPENDITURE IN EXCESS OF REQUIREMENT	8,773	

COMPLIANCE WITH SPECIAL CONDITION 1. – CHARITABLE GIVING

YEAR	TOTAL	Requirement under original certificate \$37,500 over(under)	Requirement under renewal certificate \$100,000 over(under)	Requirement under renewal certificate prorated \$22,400 over(under)
2012	62,125			39,386
2011	139,275		39,275	
2010	104,464		4,464	
2009	52,405	14,905		
TOTAL	358,269	14,905	43,739	39,386
CONTRIBUTIONS IN EXCESS OF COMPLIANCE REQUIREMENT	98,030			

COMPLIANCE WITH SPECIAL CONDITION 2. – ACADEMIC SCHOLARSHIPS

YEAR	TOTAL	NOTES
2013	20,000	
2012	30,000	Granted deferral paid
2011	10,000	Recipient requested a deferral to 2012
2010	20,000	
2009	NA	Program not identified as of date of June Graduation
TOTAL	80,000	
PRO-RATED ACADEMIC SCHOLARSHIPS REQUIREMENT	60,000	
Amount paid in excess of compliance requirements	20,000	

COMPLIANCE WITH SPECIAL CONDITION 2. – Workforce Development fund and Territorial Scholarship fund

YEAR	TOTAL	NOTES
2012	NA	Benefits suspended
2011	25,500	
2010	25,500	
2009	12,500	Not a requirement under original certificate rather a co-op marketing fee requirement

