



ST. CROIX 116 King Street, Frederiksted, VI 00840

FAX [REDACTED]

ST. THOMAS 8000 Nisky Shopping Center, Suite 620, St. Thomas, VI 00802

FAX [REDACTED]

www.USVIEDA.org

November 19, 2018

Via Electronic and Certified Mail

Mrs. Cecile R. de Jongh
Manager
Southern Trust Company, Inc.

Re: Southern Trust Company, Inc.

Dear Mrs. de Jongh:

The Virgin Islands Economic Development Commission ("VIEDC") Division of Compliance completed a compliance report of Southern Trust Company, Inc. ("Southern Trust") for period February 1, 2013 through December 31, 2017

For the compliance period covering February 1, 2013 through December 31, 2017 the VIEDC has determined that Southern Trust has complied with the Standard Conditions, Special Conditions and Reporting Requirements of its tax incentive Certificate. As of the completion date of this report, the Division of Compliance has not received a response from the Virgin Islands Department of Labor ("VIDOL"). Upon receipt of compliance clearance from the VIDOL, the Division of Compliance will issue a compliance clearance letter to Southern Trust for the above mentioned compliance period.

You may provide a response to this compliance report within 30 days of receipt of this correspondence. If we do not receive a response from you by this date, we will conclude that you are in agreement with the compliance report findings. Questions or concerns regarding this matter shall be directed to Claude S.M. Gerard, Director of Compliance at [REDACTED] or email [REDACTED].

Cordially,

Claude S.M. Gerard
Director of Compliance

cc. Kamal I. Latham, Chief Executive Officer, USVIEDA
Wayne L. Biggs Jr., Assistant Chief Executive Officer, USVIEDA
Sandra Bess, Compliance Officer II, VIEDC
Joy Penn, Senior Compliance Officer, VIEDC



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CONFIDENTIAL
COMPLIANCE REPORT
SOUTHERN TRUST COMPANY, INC
As of December 31, 2017

SUMMARY HIGHLIGHTS:

- Southern Trust Co., Inc. was granted a tax incentive Certificate: commencement February 1, 2013, termination January 31, 2023. This report covers the period: February 1, 2013 to December 31, 2017.
- Southern Trust Co., Inc. met the Certificate's investment requirement of not less than \$400,000 after a requested extension was granted by the Board of Commissioners.
- Capital Expenditures for the period: \$549,853 of which 84% (\$459,853) was procured locally.
- Goods and Services for the period: \$7,114,683 of which 15% (\$1,091,766) was procured locally.
- Southern Trust Co., Inc. met the tax incentive Certificate's full-time employment requirement of five (5) full-time employees within one year the Chairman signs the Certificate.
- Southern Trust Co., Inc. met the tax incentive Certificate's employee statutory residency requirement as at least 80% of all employees and 20% of management, technical and supervisory positions are residents of the US Virgin Islands.
- Southern Trust Co., Inc. met the Certificate's requirements of special condition numbers; **one** (charitable contributions), **two** (\$2,500 annually to the Department of Labor), **three** (\$2,500 annually to the Territorial Scholarship Fund), **four** (100% employer paid medical and dental insurance coverage), **five** (minimum \$50,000 employer paid term life insurance), **six** (Simple IRA or similar retirement plan), **seven** (paid vacation, personal emergency days, bereavement and medical leave), **eight** (management training program), **nine** (tuition reimbursement, employee training and continuing professional education), **ten** (leave to participate and represent the US Virgin Islands in athletic and sporting events), **eleven** (employee donated leave program), **twelve** (purchase insurance from resident insurance companies), **thirteen** (purchase goods and services from US Virgin Islands as available to the greatest extent possible).
- Southern Trust Co., Inc. complied with the statutory requirements of the Virgin Islands Economic Development Commission's procurement process.
- Southern Trust Co., Inc. met the Virgin Islands Economic Development Commission's reporting requirements.

Title 29, Chapter 12 VIC, Section 715(a) states in part “upon proper application or reapplication, public hearing and in compliance with all other relevant provisions of this chapter pertaining to the grant of initial benefits, as determined and required by the Commission, any recipient of industrial development benefits (sic), may be granted an extension, modification, or renewal of benefits...”

A Compliance Report is performed to substantiate the Beneficiary’s performance with the terms of its contract with the Government of the Virgin Islands of the United States. The review includes compliance with the Virgin Islands Economic Development Program Law, all applicable local and federal laws, and program regulations to include the reporting requirements.

HISTORY:

On November 18, 2011, Financial Informatics, Inc. filed Articles of Incorporation with the Office of the Lieutenant Governor. On December 8, 2011 they were issued a Certificate of Incorporation authorizing them to conduct business in the Virgin Islands. On September 20, 2012, Article 1 of Financial Informatics, Inc.’s articles of incorporation was amended to reflect a change of name too Southern Trust Company, Inc.

Southern Trust Company, Inc. specializes in the interpretation of biomedical and financial artificial intelligence and offers market intelligence to companies which operate in the financial, biomedical and pharmaceutical industries. Southern Trust Company Inc.’s primary goal is to become a successful competitor in the field of artificial intelligence concentrated in biomedical informatics and financial informatics algorithms and technology. They focus on data acquisitions and locating and establishing wide-ranging, all-inclusive biomedical and financial information databases on servers located in the US Virgin Islands.

Southern Trust Co., Inc. was granted tax incentives to conduct the operation of a Category IIA designated financial services business, providing extensive DNA database and to develop a data-mining platform for the database to be available through the internet. Services include the development of financial and biomedical informatics. Information will be kept on servers located in the US Virgin Islands. All clients will be located outside the U.S. Virgin Islands.

The grant of tax incentives is for a period of ten (10) years commencing and terminating as follows:

		<u>COMMENCEMENT</u>	<u>TERMINATION</u>
Income Taxes	90%	February 1, 2013	January 31, 2023
Gross Receipt Taxes	100%	February 1, 2013	January 31, 2023
Excise Taxes (Raw Materials)	100%	N/A	N/A
Excise Taxes (Equip., Mach.)	100%	February 1, 2013	January 31, 2023
Dividend Withholdings		February 1, 2013	January 31, 2023
Interest Withholdings		February 1, 2013	January 31, 2023
Real Property Tax	100%	N/A	N/A
Custom Duties		N/A	N/A

Southern Trust Company Inc. submitted an application for tax incentives which was presented at the Virgin Islands Economic Development Commission's Public Hearing on November 15, 2012 and Commission meeting on January 23, 2013. The Governor of the US Virgin Islands approved the grant of benefits for Southern Trust, Inc. on May 31, 2013. An orientation meeting was conducted on February 19, 2014 with the Virgin Islands Economic Development Commission's ("VIEDC") Director of Compliance and Compliance Officer along with legal counsel and principals of Southern Trust Company, Inc.

As of December 31, 2017, Southern Trust Co., Inc. ("the Beneficiary") received four years, ten months of tax incentive benefits.

Southern Trust Company, Inc. is solely owned by Mr. Jeffery E. Epstein. Mr. Epstein also owned former VIEDC Beneficiary Financial Trust Company, Inc. whose tax incentive Certificate commenced on April 1, 2009 with a termination date of December 31, 2014. By letter dated April 4, 2012, Financial Trust Company, Inc. requested and was granted a termination of its tax incentive Certificate effective March 23, 2013.

INVESTMENT:

"The Beneficiary shall invest in this business in the Virgin Islands of the United States not less than the amount of four hundred thousand dollars (\$400,000) in the benefited business upon commencement of benefits and completing one (1) year thereafter."

By letter dated November 12, 2013, the Beneficiary's legal counsel requested a one year extension until February 1, 2015, to meet the capital investment requirement.

The VIEDC informed the Beneficiary by letter dated February 20, 2014 that at the January 24, 2014 decision meeting, the Board approved Southern Trust Company's petition and granted an extension of time for Southern Trust Company, Inc. to meet its capital investment by February 1, 2015.

FINDINGS:

The tax incentive Certificate required Southern Trust Co., Inc. to invest not less than \$400,000 commencing February 1, 2013 and completed one year thereafter – January 31, 2014. The Beneficiary's petition request to the VIEDC Board of Commissioners granted an extension to February 1, 2015.

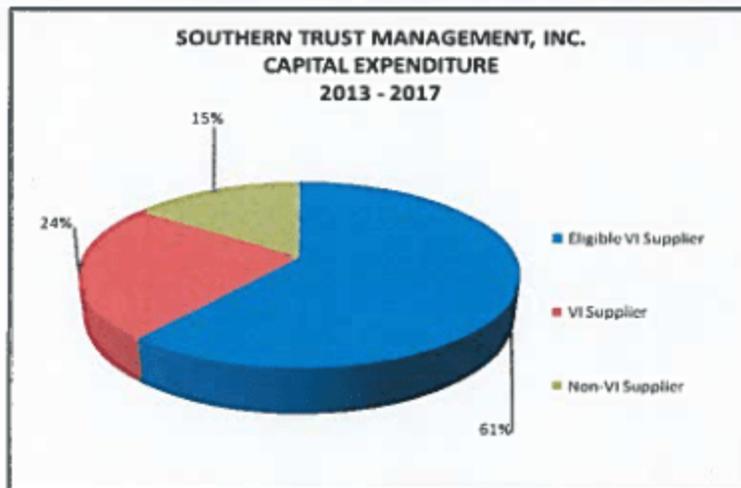
As of 2015, the Beneficiary invested a total of \$539,722, meeting the Beneficiary's tax incentive Certificate's investment requirement as required by the extension granted by the VIEDC Board

For the period covered by this report Southern Trust invested a cumulative total of \$628,472, a total of \$228,472 over the tax incentive Certificate's investment requirement.

CAPITAL EXPENDITURES:

YEAR	ELIGIBLE VI SUPPLIER	VI SUPPLIER	NON-VI SUPPLIER	TOTAL
2013	\$ -	\$ 8,055	\$ -	\$ 8,055
2014	227,637	2,300	60,000	289,937
2015	155,132	56,598	30,000	241,730
2016	-	10,131	-	10,131
2017	-	72,325	6,294	78,619
CUMULATIVE TOTALS	\$ 382,769	\$ 149,409	\$ 96,294	\$ 628,472

FINDINGS:



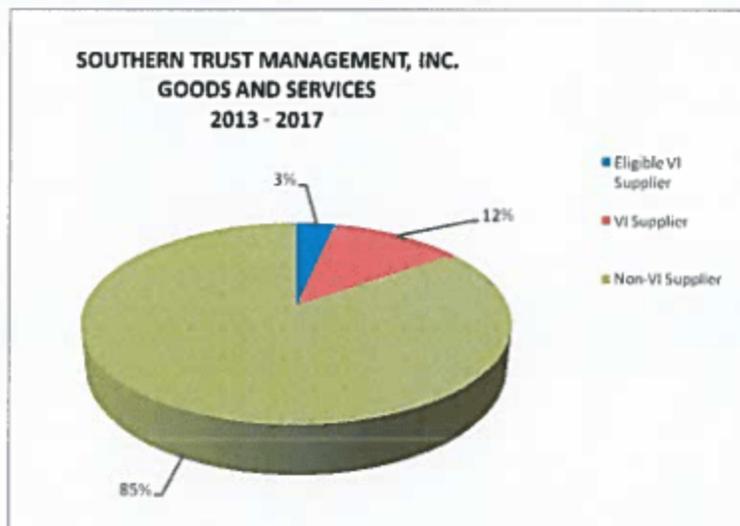
For the period 2013 to 2017, the Beneficiary reported procuring a total of \$628,472 in capital expenditures. Of the total expenditures reported; 61% (\$382,769) were purchases from Eligible Virgin Islands Suppliers for machinery and equipment and vehicles, 24% (\$149,409) were purchases from VI Suppliers machinery/equipment and leasehold & improvements and 15% (\$77,084) from non-VI Suppliers for computer software.

GOODS AND SERVICES:

YEAR	ELIGIBLE VI SUPPLIER	VI SUPPLIER	NON-VI SUPPLIER	TOTAL
2013	\$ 10,089	\$ 202,394	\$ 771,461	\$ 983,944
2014	38,978	281,278	1,895,365	2,215,621
2015	76,611	201,902	2,058,586	2,337,099
2016	82,529	197,985	1,297,505	1,578,019
2017	93,940	154,620	1,428,992	1,677,552
CUMULATIVE TOTAL	\$ 302,147	\$ 1,038,179	\$ 7,451,909	\$ 8,792,235

FINDINGS:

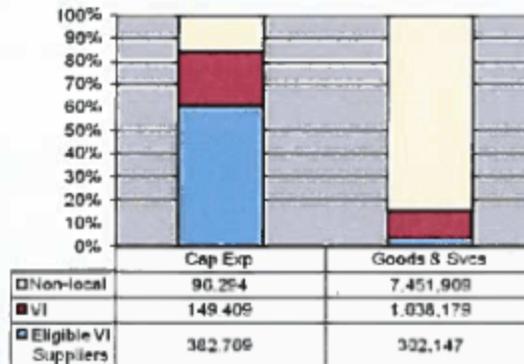
For the period February 1, 2013 to December 31, 2017, the Beneficiary reported procuring a total of \$8,792,235 for goods and services. Purchases from non-Virgin Island suppliers totaled \$7,451,909 (85%) of which the majority was spent on legal/accounting, advertising, supplies and insurance. Procurement from Virgin Island Suppliers was \$1,038,179 (12%), of which the majority was spent on rent, utilities, legal/accounting and supplies. Purchases from Eligible suppliers totaled \$302,147 (3%) of which the majority was spent on advertising, insurance, utilities, repairs and maintenance.



LOCAL PROCUREMENT:

In accordance with Division 7 of the Virgin Islands Economic Development Commission Rules and Regulations, the Beneficiary must comply with procurement procedures (Section 708-701 to 708-713).

SOUTHERN TRUST MANAGEMENT, INC.
TOTAL PROCUREMENT
2013 - 2017



FINDINGS:

For the period February 1, 2013 to December 31, 2017, the Beneficiary expended a total of \$9,420,707 for capital expenditure and goods and services. A total of \$7,548,203 (80%) was expended to non-Local Suppliers, of these purchases the majority was spent on legal/accounting, advertising and computer software. Purchases made from Virgin Island Suppliers totaled \$1,187,588 (13%) of which the majority was spent on utilities, rent and machinery/equipment. A total of \$684,916 (7%) was expended with eligible suppliers, of these purchases the majority was spent on machinery/equipment, vehicles and legal/accounting.

In accordance with the VIEDC Rules and Regulations, Section 708-709 the Beneficiary was required to provide proof of soliciting goods and services on a competitive basis for a single purchase exceeding \$25,000, unless the good or service is deemed an exempt procurement as stated in section 708-706.

- For the period covered by this report, the Beneficiary's purchases for ISP equipment, computer software, a vehicle, and machinery/equipment exceeded \$25,000.

The purchase for ISP equipment, a vehicle and machinery/equipment were made with Eligible VI Suppliers, and therefore deemed exempt. The computer software was also exempt as the specialized software required by the Beneficiary is not available in the United States Virgin Islands.

EMPLOYMENT:

"The Beneficiary will employ a minimum of five (5) full-time employees within one year from the date the Chairman signs its Certificate, and an additional five (5) full-time employees by the end of the sixth (6th) year of operation. The Beneficiary was granted a 50% resident employment waiver for the first five (5) years of operation and to require the

following: The Beneficiary will contribute two thousand five hundred dollars (\$2,500) annually to the Territorial Scholarship Fund, administered by the Board of Education, for each non-resident that causes it not to meet the 80% requirement. Southern Trust will also exhaust all recruitment options available but not limited to the University of the Virgin Islands and then Department of Labor.”

VIEDC Rules and Regulations Section 708-605 define full-time employees or employment as “employment, on a permanent and continuous basis, for thirty-two (32) hours or more per week”.

FINDINGS:

The Chairman of the VIEDC Board signed the tax incentive Certificate on February 5, 2014.

YEAR	TOTAL	AVERAGE FULL TIME	AVERAGE V.I. RES.	AVERAGE % V.I. Res.	AVERAGE MGMT.	20% V.I. MGMT
2013	7	7	7	100%	3	100%
2014	8	8	8	91%	3	100%
2015	8	8	8	100%	3	100%
2016	8	8	8	100%	3	100%
2017	9	9	8	94%	3	100%

For the period 2013 to 2017, the Beneficiary employed an average of seven (7) to nine (9) full-time employees. They met the tax incentive Certificate’s requirement of five (5) full-time employees within one year from the date the Chairman signed the certificate. Although granted a 50% resident employment waiver for the first five (5) years of operation, the Beneficiary met the statutory requirement of 80% of all employees being residents of the Virgin Islands, with no less than 20% in the area of management, supervisory and/or technical positions.

STANDARD CONDITION:

Beneficiary shall maintain payroll accounts, from which local employees are paid, in a bank licensed and conducting business in the United States Virgin Islands, in compliance with 1992 V.I. Sess. Laws 5768.

- The Beneficiary confirmed that a payroll account from which employees are paid is maintained at FirstBank VI. First Bank is licensed and conducting business in the US Virgin Islands.

SPECIAL CONDITIONS:

1. **Beneficiary will make a minimum charitable contribution of fifty thousand dollars (\$50,000) annually. The Beneficiary will donate three thousand dollars (\$3,000) annually to the Territorial Scholarship Fund pursuant to 2006 V.I. Sess. Laws 6842.**

Additionally, the Beneficiary will donate 50% of its annual charitable contribution to public school program and initiatives pursuant to 29 V.I.C. § 708(m).

REQUIRED BY TAX INCENTIVE CERTIFICATE		2013	2014	2015	2016	2017
PUBLIC SCHOOL PROGRAMS AND INITIATIVES	\$ 25,000	\$ 56,000	\$ 55,696	\$ 34,620	\$ 25,000	\$ 25,000
CHARITABLE CONTRIBUTION	\$ 22,000	40,924	31,310	16,880	28,250	26,200
TERRITORIAL SCHOLARSHIP FUND	\$ 3,000	-0-	6,000 ¹	3,000	3,000	3,000
ANNUAL BENEFICIARY CONTRIBUTIONS MINIMUM REQUIREMENT - \$50,000		\$ 96,924	\$ 93,006	\$ 54,500	\$ 56,250	\$ 54,200
VARIANCE (OVER / SHORT)		\$ 46,924	\$ 43,006	\$ 4,500	\$ 6,250	\$ 4,200

The tax incentive Certificate required Southern Trust Company, Inc. to make annual contributions of \$50,000; total contributions of \$250,000 for the period January 1, 2013 to December 31, 2017.

- The Beneficiary provided documentation to substantiate contributions made in 2013 totaling \$96,624. Of the total: \$56,000 was given to VI Department of Education, and \$40,924 to charitable contributions which include the University of the Virgin Islands, Community Foundation of the Virgin Islands, Zero Tolerance Basketball Org. Inc., and the St. Thomas Reformed Church.
- The Beneficiary provided documentation to substantiate contributions made in 2014 totaling \$93,006. Of the total: \$35,696 was directed to public school program and initiatives for the STEM Fair, and \$10,000 Science and Math scholarships to one student of the Charlotte Amalie and one from the Ivanna Eudora Kean High School. Contributions to charitable organizations in the amount \$31,310 were given to organizations such as Humane Society of St. Thomas, Antilles School, Community Foundation of the VI. The Beneficiary also made a contribution of \$6,000 to the Territorial Scholarship Fund, which included a contribution of \$3,000 not made in 2013.
- The Beneficiary provided documentation to substantiate contributions made in 2015 totaling \$54,500. Of the total: \$34,620 was directed to public school program and initiatives for the Ivanna Eudora Kean High School's Dancing Classroom and Junior Achievement US Virgin Islands, and Computers for public schools through the Board of Education. Contributions to charitable organizations in the amount \$16,880 were given to organizations such as My Brothers Workshop, Humane Society of St. Thomas, Antilles School, and Community Foundation of the VI. The Beneficiary also made a contribution of \$3,000 to the Territorial Scholarship Fund.

¹ 2013 and 2014 Territorial Scholarship Fund contribution.

- The Beneficiary provided documentation to substantiate contributions totaling \$56,250 made in 2016. Contributions to public school programs and initiatives in the amount \$25,000 was given to the Community Foundation of the VI and the VI Chapter of the Organization of Black Aerospace Professionals. Charitable Organizations such as Lutheran Social Services, Antilles School, Inc, Community Foundation of the VI and the Harmonic Lodge were given a total of \$28,250. The Beneficiary also made a contribution of \$3,000 to the Territorial Scholarship Fund.
- The Beneficiary provided documentation to substantiate contributions totaling \$51,200 made in 2017. Contributions to the public school and initiatives in the amount \$25,000 was given to the Department of Planning & natural Resources – library Revolving Fund. Charitable organizations such as Lutheran Social Services of the V.I., St. Thomas Rescue, Inc., Community Foundation and Wesley Methodist Church were given a total of \$26,200. The Beneficiary also made a contribution of \$3,000 to the Territorial Scholarship Fund.

The tax incentive Certificate required the Beneficiary to make a minimum of \$250,000 in charitable contributions. For the period covered by this report the Beneficiary contributed \$354,880; a total of \$104,880 over the tax incentive Certificate's requirement.

The Beneficiary met the requirements of this special condition.

2. Beneficiary will contribute two thousand five hundred (\$2,500) annually to the Department of Labor, to be managed in collaboration with the USVIEDA, for the creation, development, management, and maintenance of a database designed to recruit Virgin Islanders living abroad who desire to move back to the US Virgin Islands, pursuant to 2011 VI Sess. Laws 7301, as applicable.

- The Beneficiary provided documentation to substantiate contributions made in 2014 totaling \$5,000 to the VI Department of Labor for the years 2013 and 2014.
- The Beneficiary provided documentation to substantiate a contribution of \$2,500 to the Department of Labor for the year 2015.
- The Beneficiary provided documentation to substantiate a contribution of \$2,500 to the Department of Labor for the year 2016.
- The Beneficiary provided documentation to substantiate a contribution of \$2,500 to the Department of Labor for the year 2017.

The Beneficiary met the requirements of this special condition.

- 3. The Beneficiary will contribute two thousand five hundred dollars (\$2,500) annually to the Territorial Scholarship Fund administered by the Board of Education for each non-resident that causes it not to meet the 80% requirement. Southern Trust will also exhaust all recruitment options available but not limited to the University of the Virgin Islands and the Department of Labor.**

- For the period 2013 to December 2017, and as shown in the employment chart, the Beneficiary's employee recruitment did not fall below the tax incentive Certificate's residency requirement of 80% and therefore was not required to make annual contributions in the amount of \$2,500 to the Territorial Scholarship Fund.

The Beneficiary met the requirements of this special condition.

- 4. The Beneficiary will provide its full-time employees and dependent with one hundred percent (100%) employer paid medical and dental insurance coverage.**

The employee handbook provided by the Beneficiary states that all full-time employees become eligible to participate in Southern Trust Company's group health plan on the first day of the month following one day of employment and satisfaction of any eligibility or other requirements of the group health insurance policy in effect at the time. The Beneficiary provides its full-time employees and their dependents with 100% employer-paid medical and dental insurance coverage.

- The Beneficiary provided a copy of health and dental insurance coverage provided by United HealthCare to seven employees.

The Beneficiary met the requirements of this special condition.

- 5. The Beneficiary will provide each eligible full-time employee with a minimum of fifty thousand dollars (\$50,000) employer paid term life insurance.**

The employee handbook provided by the Beneficiary states that Southern Trust Company provides life and accidental death and dismemberment insurance to all full-time employees in the amount of \$50,000 of employer-paid term life insurance after one day of employment.

- The Beneficiary provided a copy of United HealthCare's life insurance coverage in the amount of \$50,000 provided to seven employees from 2013 and 2014.
- For the years 2015 to 2017 employees were provided employer paid term life insurance coverage in the amount of \$100,000.

The Beneficiary met the requirements of this special condition.

- 6. The Beneficiary will provide its employees with a Simple IRA or similar retirement plan. The employee participant may make monthly salary deferrals. The Beneficiary will make a matching contribution equal to 100% of the employee's elective deferral up to a limit of 3% of annual compensation.**

The Beneficiary employee handbook provided to substantiate the SIMPLE IRA or retirement plan states that Southern Trust Company has an established Simple IRA Retirement Plan in which eligible employee can participate after one day of employment. Employee participants may make monthly salary deferrals. Southern Trust Company makes a matching contribution equal to 100% of the employee's elective deferral up to a limit of 3% annual contribution.

The Beneficiary also provided the copy of an American Funds Simple IRA Adoption Agreement serviced by Shelley Moorhead of Seslia Securities, St. Thomas, Virgin Islands. The plan originally created July 1, 2001 was amended and restated on April 1, 2013. The plan's employer contributions states, a matching contribution equal to 100% of elective deferrals up to a limit of 3% of compensation for the calendar year. The plan also allowed for Rights of Accumulation from Financial Trust Company.

- For the period 2013 to 2016, the Beneficiary provided documentation showing annual employee contributions for full-time employees except Mr. Jeffrey Epstein.
- For the year 2017, the Beneficiary provided documentation showing annual employee contributions for full-time employees except Mr. Jeffrey Epstein, Cashkim Z. Bussue, and [REDACTED].

The Beneficiary met the requirements of this special condition.

- 7. The Beneficiary will provide its employees with a minimum of two (2) weeks paid vacation during the first year of employment, three (3) weeks paid vacation up to five years (5) years of employment and four (4) weeks paid vacation after five (5) years of employment. The Beneficiary will also provide its employees with two (2) paid personal days and fifteen (15) paid holidays annually. The Beneficiary will provide up to five (5) personal emergency days and five (5) days bereavement leave. Under medical leave policy, full-time employees may have the financial protection of full pay for up to 26 weeks. The Beneficiary will offer fully paid and unpaid medical leave dependent upon a number of factors.**

The Beneficiary provided the copy of an employee handbook which states; paid time off "PTO" is any time taken from work that is not mandatory; jury duty, bereavement leave, or any paid company holiday. PTO can be taken in weeks, days or half days, depending on business requirements. A manager's approval is required before PTO can be taken.

Every full-time employee regularly scheduled to work thirty-two or more hours per week is eligible for PTO each calendar year. Each full-time employee will accrue PTO every pay period in hourly increments with the total prorated over a 12-month period. Accrued

hours will be added to the employee's PTO account and subtracted when used. PTO is accrued based on a 40-hour work week and prorated based on the number of hours worked. During the first calendar year if hired before July 1, an employee is eligible for two weeks of vacation. If hired on or after July 1, an employee is eligible for three weeks per year. After five years of service, employees are eligible for four weeks of vacation. PTO must be used in the calendar year it is accrued and generally not permitted to carryover.

Southern Trust Company provides personal days which can be used for religious observances or other personal matters. All full-time employees are eligible for two paid personal days each calendar year. Personal days can be taken at any time during the calendar year provided that the time is scheduled in advance with the employee's manager. Unused personal days cannot be carried into the next calendar year nor paid when an employee leaves Southern Trust Company, Inc.

Holidays observed by Southern Trust Company, Inc.:

New Year's Day	Martin Luther King Day	Presidents' Day
Good Friday	Easter Monday	Carnival Parade
Memorial Day	VI Emancipation Day	Independence Day
Labor Day	Veteran's Day	Thanksgiving Day
Friday after Thanksgiving		Christmas Eve Day
Christmas Day	Boxing Day	New Year's Eve

Full-time employees are paid for a full eight hour workday on such holidays. Holidays falling on a Saturday or Sunday are observed the preceding Friday or following Monday as directed by management.

The employee handbook states Southern Trust Company provides full-time employees with five days of bereavement leave on a rolling 12-month period, after completing three months of service, when a member of an employee's immediate dies. An immediate family member includes an employee's spouse, or domestic partner, child, or a child for whom an employee serves in the role of a parent, parent or someone who served in the role of a parent when the employee was a child, parent-in-law, brother or sister, and a relative who is a member of the employee's household.

To help cope with a sudden personal or family emergency, resolve problems with childcare, or respond to a household emergency, the Beneficiary provides full-time employees with up to five days of personal days in a 12-month period. Full-time employees are eligible to request personal emergency days after completing three months of service.

- At site visit conducted on September 28, 2018, the Beneficiary provided documentation to substantiate the recording of employee's paid time off.

The Beneficiary's compliance contact stated that in 2013, the employees transferred from former VIEDC Beneficiary Financial Trust Company, Inc. were allowed to carry over their excess vacation time to be used by March 31, 2013.

The transferred employees' annual leave allotment was then reset based on years of service.

The Beneficiary met the requirements of this special condition.

8. The Beneficiary will comply with the management training program as approved by the Commission in Resolution no. 006-2011 approved February 25, 2011.

At the time of application the Beneficiary stated; recruitment to management trainee roles is open to all qualified members. A process will be followed to identify and appoint those individuals who display the attributes and competencies required to achieve their expected potential through the acquisition of a core set of transferable skills and professional competencies.

Approval for management trainee positions will be through a process conducted by the President and Chief Executive Officer ("CEO"). The President and CEO will construct a "business case" and have final approval prior to proceeding with recruitment. This will allow for a consistent approach towards future development and training as well as ensure compliance with employment laws.

The Beneficiary's employee handbook lacked information about a management program available to employees.

- The Beneficiary's compliance response letter dated September 4, 2018 stated that Daphne Wallace participated in the Company's management training program.

For the period covered by this report; quarter ending March 2013 to December 31, 2013 - Daphne Blyden Wallace's position was listed as Personal Administrative Assistant/ Accountant. As of quarter ending March 2014 to December 2017, her position was listed as Executive Assistant.

The Beneficiary met the requirements of this special condition.

9. The Beneficiary will provide its employees tuition reimbursement, employee training and continuing professional education courses for programs related to an employee's job function and approved by management. The maximum assistance to be provided to an eligible employee during a calendar year is five thousand (\$5,000) on the grade achieved with 100% for an "A"; 75% for a "B"; and 50% for a "C."

The employee handbook provided by the Beneficiary states; they value education and a strong, knowledgeable workforce and as such provide tuition assistance to qualified employees and dependents with a maximum of five thousand two hundred dollars per calendar year. To be eligible an employee must be in a regular, full-time, non-temporary position and completed the school's admission requirements. Employees must provide

proof of a passing grade (C or better) at the end of the course. If a passing grade is not obtained, tuition assistance for the next semester immediately following may be withheld.

- The Beneficiary's compliance response letter to the VIEDC dated September 4, 2018 stated the following employees were provided tuition reimbursement, employee training, or professional training:
 1. Jeanne Brennan
 2. Lucas Pascal
 3. Cecile de Jongh
 4. Una Pascal
 5. Anna Rodriguez
 6. Daphne Wallace
 7. Sophia Mwaura

The Beneficiary met the requirement of this special condition.

10. The Beneficiary will provide its employees with additional leave from work, other than time applied to their annual leave, to participate and represent the Virgin Islands in athletic and sporting events in accordance with 29 V.I.C. § 708(p).

- The Beneficiary's compliance response letter dated September 4, 2018 stated that for the period covered by this report no employee of Southern Trust Company, Inc. requested leave to participate and represent the US Virgin Islands in sporting events.

The Beneficiary's employee handbook did not state they provide employees with additional leave from work, other than time applied to annual leave to participate and represent the Virgin Islands in athletic and sporting events in accordance with 29 V.I.C. § 708(p). The employee handbook states however; paid time off "PTO" is any time taken from work that is not mandatory; jury duty, bereavement leave, or any paid company holiday. PTO can be taken in weeks, days or half days, depending on business requirements. A manager's approval is required before PTO can be taken.

The Beneficiary met the requirement of this special condition.

11. The Beneficiary will establish and maintain a donated leave program similar to the program established under 3 V.I.C. §583b, in accordance with 29 V.I.C. § 708(s).

The Beneficiary provided a copy of the employee handbook which states; in addition to the fully paid medical and unpaid medical leave, any full-time employee shall be eligible to receive donated sick or annual leave from the employee leave pool "ELP" which Southern Trust Company shall make available to an employee;

- who has completed at least one year of continuous employment;

- is suffering from a serious health condition or the employee is the primary care giver of a spouse, child, parent or any individual who is a legal dependent of the employee with a serious health condition, who is expected to require a prolonged absence from work by the employer; and
- has exhausted all sick, annual paid time off and fully paid medical leave while absent on approved sick leave.
- At site visit conducted on September 28, 2018, the Beneficiary provided documentation to substantiate an established and maintained employee donated leave program.

The Beneficiary met the requirements of this special condition.

12. The Beneficiary will require all contractors to purchase insurance from resident insurance companies, agents, or brokers licensed to operate in the territory in accordance with 29 V.I.C. § 708(r).

- The Beneficiary provided documentation showing health and life insurance purchased from Marshal & Sterling Inc, d/b/a Theodore Tunick and Company, an Eligible Supplier licensed broker, in good standing under the laws of the US Virgin Islands.

The Beneficiary met the requirements of this special condition.

13. In accordance with and subject to 29 V.I.C. § 708(h) and applicable Commission Rules and Regulation with regard to the Eligible Supplier Program, the Beneficiary will purchase all goods and services from US Virgin Islands entities duly licensed and in good standing under the laws of the Virgin Islands, as available, to the greatest extent possible.

- For the period February 1, 2013 to December 31, 2016, the Beneficiary reported total procurement of \$7,664,536. A total of \$960,643 (12%) from Virgin Islands Suppliers and \$590,976 (8%) from VI Eligible suppliers. The remaining procurement included the purchase of specialized computer programs and equipment.

The Beneficiary met the requirements of this special condition.

SPECIFICALLY EXCLUDED TRADE OF BUSINESS:

U.S. Virgin Islands clients are specifically excluded from tax benefits.

- The Beneficiary confirmed that for the period of covered by this report, gross receipt exemptions were taken exclusively from clients outside the US Virgin Islands.

REPORTING REQUIREMENTS:

VIEDC Annual Report:	Current
Income Tax Return / Audited Financial Statements	Current
Lt. Governor's Annual Report:	Current
VIESA Report:	Current
Affidavit of VIEDC Beneficiary:	Current
VIEDC Publication Notices	Current

FINDING:

Southern Trust Co., Inc. met the reporting requirements in accordance with the VIEDC Rules and Regulations, section 716-6.

FINANCIAL ANALYSIS REVIEW:

YEARS	ANNUAL NET	AGGREGATE	% CHANGE
2013	50,227,528		
2014	67,529,822	117,757,350	34.45%
2015	52,793,729	170,551,079	(21.82%)
2016	4,751,300	175,302,379	(91.00%)
2017	17,058,555	192,360,934	259.03%
			100.00%
AVERAGE ORDINARY INCOME	\$38,472,187	\$655,971,742	

Southern Trust Company, Inc. cost benefit analysis reflects a ratio of 1:11. The Virgin Islands Economic Development Commission granted tax exemptions to Southern Trust Company, Inc. totaling about \$73,600,000 for the period January 1, 2013 to December 31, 2017. For every \$100,000 in tax revenues forgone, the territory of the United States Virgin Islands received approximately \$22,200 in economic output and \$10,500 was added to the Gross Total Product (GTP).

Southern Trust Company, Inc. elected to file its income tax as an S-corporation, which elects to pass corporate income, losses, deductions and credits through to its sole shareholder for tax purposes. Shareholders of S-corporations report the flow-through of income and losses on their personal tax returns and are assessed at the individual income tax rate. For the period 2013 to 2017 Mr. Epstein's income tax exemption approximated \$71,328,241.

STOCKHOLDERS INTEREST:

From the submission of its VIEDC application to the completion of this compliance report, Southern Trust Company, Inc. is solely owned by Mr. Jeffrey E. Epstein.

OTHER FINDINGS:

Southern Trust Company, Inc. is a tenant at the American Yacht Harbor, located in Red Hook, St. Thomas, US Virgin Islands. Mr. Jeffrey E. Epstein is a passive investor in IGY-AYH St. Thomas, LLL d/b/a American Yacht Harbor.

By letter dated September 5, 2018, The Division of Banking, Insurance and Financial Regulation stated that Southern Trust Company, Inc. is not registered to transact securities business in the U.S. Virgin Islands.

CONCLUSION:

Southern Trust Company, Inc, VIEDC Beneficiary;

1. Granted ten years of tax incentives which commenced on February 1, 2013 and will terminate on January 31, 2023. Received four years of tax incentives, as of December 31, 2017.
2. Met the tax incentive Certificate's investment requirement of \$400,000.
3. Met the tax incentive Certificate's full-time employment requirement of five full-time employees. Met the statutory requirements as at least 80% of all employees are residents of the US Virgin Islands and 20% of management, technical and supervisory positions are held by residents of the US Virgin Islands.
4. Complied with the tax incentive Certificate's standard conditions.
5. Complied with the procurement requirements in accordance with the VIEDC Rules and Regulations 708-701 through 708-713.
6. Met the tax incentive Certificate's requirements of special condition numbers; **one** (charitable contributions), **two** (\$2,500 annually to the Department of Labor), **three**

(\$2,500 annually to the Territorial Scholarship fund for non-compliance with the 80% residency requirement), **four** (100% employer paid dental insurance and dependent coverage), **five** (minimum \$50,000 employer paid term life insurance), **six** (Simple IRA or similar retirement), **seven** (paid vacation, 2 paid personal days and fifteen paid holidays annually), **eight** (management training), **nine** (tuition reimbursement), **ten** (leave to participate and represent the US Virgin Islands in athletic and sporting events), **eleven** (donated leave program), **twelve** (purchase insurance from resident insurance companies), **thirteen** (purchase goods and services from US Virgin Islands as available to the greatest extent possible).

7. Complied with the VIEDC's reporting requirements (VIEDC Rules and Regulations section 716-6).

November 15, 2018

Completed by: 
Sandra Bess
Compliance Officer II

Reviewed by: 
Claude S. M. Gerard
Director of Compliance

Submitted by: 
Wayne L. Biggs, Jr.
Assistant Chief Executive Officer