



FY2009 ANNUAL REPORT





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SUPERINTENDENT of PARKS George St. Rose

MISSION STATEMENT

The Virgin Islands Economic Development Authority (VIEDA) strives to be a customer service based organization that creates positive public/private sector partnerships for the enhancement of economic growth and development by meeting the challenges of the global economy and serving the needs of the business community, while embracing our unique cultural heritage and preserving our pristine natural environment.



THE VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY

The Virgin Islands Economic Development Authority (VIEDA) was created as a semi-autonomous government agency on February 1, 2001 to assume, integrate and unify the functions of the Government Development Bank (GDB), the Economic Development Commission (EDC), the Industrial Park Development Corporation (IPDC), the Small Business Development Agency (SBDA), and the Enterprise Zone Commission (EZC) under one executive board in order to achieve maximum efficiency, streamline operations, and develop comprehensive programs to promote and enhance the economic development of the Territory.

The Authority accomplishes its mission by attracting multi-national investors to establish or relocate their businesses to the United States Virgin Islands and by providing financial assistance through its lending arm, namely the GDB and the SBDA, to emerging and established businesses in the Territory. The Authority is funded by the general fund, based on a budget request from the Governor and the VIEDA Board of Commissioners, which must ultimately be approved by the Legislature of the Virgin Islands.

The powers of the Authority are exercised in a seven-member board, which is comprised of three (3) members that are appointed by the Governor from among heads of cabinet-level executive departments or agencies or from among the Governor's executive staff, three (3) members who are not employees of the Government of the United States Virgin Islands and are appointed by the Governor with the advice and consent of the Legislature, and one (1) member appointed from the board or executive staff of the Government Employees' Retirement System, the Virgin Islands Port Authority or the University of the Virgin Islands.

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THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

Charlotte Amalie, V.I. 00802
340-774-0001

MESSAGE FROM THE GOVERNOR

The Virgin Islands Economic Development Authority ("EDA") has the task of implementing programs and initiatives to improve the economic development of the United States Virgin Islands. In the best of times, this objective can be accomplished and progress can easily be measured. However, in today's somber and challenging economic climate, the task is much more difficult and requires more targeted approaches and strategies to achieve success. Yet, I am pleased to offer a positive assessment of the work of the EDA in 2009 and an optimistic outlook for 2010 as we work to achieve visibility for the U.S. Virgin Islands, success in our marketing and diversification of our employer base and employee opportunities.

In last year's annual report, I predicted a "correction to the global financial system within the next 12 to 18 months." Recent indicators based on national measurements lead me to believe that a modest reversal of the recession has begun. As this correction gains momentum, and as more and more companies regain confidence in their business model and their competitive position in the world's economy, I believe that investors will be open to new opportunities and that the U.S. Virgin Islands will be well positioned to offer them what they need to succeed.

Under the umbrella of the EDA, five entities have the synergy to promote entrepreneurship and overall business activity. They are the Economic Development Commission, Enterprise Zone Commission, Government Development Bank, Industrial Park Development Corporation, and Small Business Development Agency. Over the past year, the Economic Development Commission instituted an aggressive marketing strategy to attract new businesses, and as a result, inquiries and interest levels are on the rise. Concurrently, the Government Development Bank and Small Business Development Agency offered competitive lending opportunities, microloan programs and access to performance bonds for local contractors to ensure access aimed at allowing current companies to survive and new ones to get started.

The Enterprise Zone Commission continued to breathe new life into the historic districts of Christiansted, Frederiksted and Savan through tax incentives to businesses and property owners in those areas, and funding through "Scrape, Paint and Rejuvenate" programs. As the charm of our historic districts is directly linked to the Territory's tourism revenue, these programs are vitally important in many respects. The Industrial Park Development Corporation continues to provide affordable and suitable space for new businesses relocating to the Territory.

Even with encouraging signs of increased economic development within the Territory and around the world, there is still more work to be done to ensure the sustained financial security of our residents. We continue to make our presence known at the Federal level as we fight to ensure that legislation and executive branch orders and grants recognize our unique circumstances and relationship to the United States. It is through the efforts of the EDA, in conjunction with the University of the Virgin Islands Research and Technology Park, that we market the tremendous competitive advantages we offer to business prospects, especially as we leverage our private sector partnerships.

I am confident that the seasoned and dedicated staff of the Virgin Islands Economic Development Authority will continue their coordinated efforts on behalf of the people of the United States Virgin Islands.


John P. de Jongh, Jr.



THE UNITED STATES VIRGIN ISLANDS
OFFICE OF THE LIEUTENANT GOVERNOR

Christiansted, Virgin Islands 00820

MESSAGE FROM THE LIEUTENANT GOVERNOR

It is my pleasure to extend my congratulations to the Virgin Islands Economic Development Authority and the Board of Governors as they continue to restore the territory's private sector to its rightful place as a dynamic and thriving entity that drives the economic rebirth of the United States Virgin Islands.

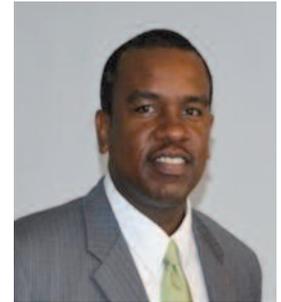
Our territory must harness the diverse interests and create opportunities that ensure that we are a viable competitor in this global economy. The community's confidence in the Economic Development Authority and its leadership is encouraged by your accomplishments and ongoing commitment to explore new ideas and partnerships that have positioned this territory for future and sustainable growth.

Please be assured that the Office of the Lieutenant Governor is committed to our continued partnership as we work together to rebuild our economy for the betterment of all Virgin Islanders and investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Gregory R. Francis". The signature is stylized with a large initial "G" and a long horizontal line extending to the right.

Gregory R. Francis



Message from the Chairman of the Board

At the start of fiscal year 2009, we had just begun to feel the effects of the financial downturn in the national and world economies. We were aware that we had entered a most critical period in our history, a time in which we would face even more severe challenges in our mission to advance the economic development of the United States Virgin Islands.

The Virgin Islands Economic Development Authority saw in this climate an opportunity to prepare for the imminent resurgence of the global economy. Accordingly, we focused on strategies that would retain, rebuild and strengthen the businesses that are at the core of our local economy while we continued the pursuit of new investments.

This was no easy undertaking, but it was made possible with the diligence and support of our Governor and Lieutenant Governor, the Authority's Board of Governors, and our Chief Executive Officer and his dedicated staff whose valuable recommendations were the basis for sound policy decisions. Our successes this fiscal year could not have been possible otherwise.

The time that we took to enhance our knowledge of our products and clients enabled the Authority to develop and implement new strategies and to bring businesses such as Diageo, Island Crossings and Alpine Energy to our shores. The public-private partnerships which we have created with these companies are of immense importance to the financial infrastructure of the Territory and will have a lasting impact on our workforce, our tax base and the overall standard of living of our residents.

Despite our successes this fiscal year, there remains much work to be done to ensure the creation and maintenance of a vibrant and sustainable Virgin Islands economy. We are committed to this outcome and pledge to remain focused on our vision while maintaining our strong emphasis on customer service.

I look forward to an exciting FY 2010, a year filled with new economic opportunities and one in which we will continue to stress the value of entrepreneurship on the part of residents while we move forward on a path of growth and development which benefits us all.

Sincerely,

Albert Bryan Jr.
Chairman of the Board



Message from the Chief Executive Officer

The overall success of the Virgin Islands Economic Development Authority (VIEDA), faced with the continuation of a global economic crisis, must be credited to the tenacity and diligence of a dedicated and hard working staff, together with strong leadership from the Authority's Board of Commissioners and the deJongh-Francis Administration.

Throughout Fiscal Year 2009, the VIEDA remained focused on its mission to enhance and promote economic growth throughout the Territory, and we are pleased that we made some significant strides. These gains will be used as the platform upon which to build a vibrant economy, resulting in a better standard of living for Virgin Islanders.

In carrying out our mandate, the Economic Development Commission (EDC) was able to maintain the same level of interest in the EDC's tax-incentive program as it did last fiscal year. However, the contributions to be derived from the new companies will far exceed the previous year's contributions. Commencing in FY 2010, we anticipate continuous growth in the EDC Program, which will result from the more aggressive and expansive marketing strategy that we have already begun implementing.

As we expand the EDC Program, it is equally important to ensure its integrity, and with the diligence of the EDC Compliance Division, we are doing so. This fiscal year the Compliance staff spent a considerable amount of time assisting beneficiaries of the EDC Program in complying with the requirements of their certificates. The process is ongoing, but already we have seen an improvement in the relationship between the Authority and beneficiaries of the EDC Program.

During FY 2010 we expect the occupancy levels at the industrial parks to climb as a result of our ongoing efforts to advertise park space for lease in a variety of local media until our goal of 100% occupancy is met. Short of that, we anticipate using the parks as the sites of our Business Incubator Program once we receive the necessary clearance from the U.S. Department of Commerce to do so.

Another of the Authority's divisions recording increases was the Lending Division, comprised of the Government Development Bank (GDB) and the Small Business Development Agency (SBDA). In addition to a surge in the number of loans processed, collections on loans surpassed the previous year's total. Fiscal Year 2010 is projected to be a banner year for the Lending Division, which will result from a more aggressive marketing strategy together with the implementation of a 90-day amnesty on delinquent loans, offering loan consolidation and reduction of interest rates.

Perhaps the most significant milestone for the Enterprise Zone Commission (EJC) during FY 2009 was the well-attended series of estate planning seminars for stakeholders within the Christiansted, Frederiksted and Savanne enterprise zones. The benefit of these seminars will accrue to property owners once their properties are declared free and clear. Qualified owners can take advantage of the tax benefits being provided by the Enterprise Zone Program to rehabilitate their properties for commercial purposes and also to help return the enterprise zones to the centers of business activity for which they were once known.

In addition to the aforementioned highlights, the Authority is especially proud of the following accomplishments: the completion of a five-year Marketing and Strategic Plan, which will be used as a roadmap to economic sustainability; development of a cost-benefit analysis model, which can be used by other government agencies; creation and funding of a Performance Bonding Program for licensed contractors; completion of a Business Incubator Study to set the foundation for helping small businesses requiring incubation before branching out; approval of the first Tax Incremental Financing Program; continuation of strategic partnerships with other government agencies, such as the Public Finance Authority, the Department of Tourism, and the Energy Office; and financing for the Taxi and Tour Bus Program on St. Croix.

During FY 2010 we plan to build on the successes of prior years. To do so, we will be guided by our new Marketing and Strategic Plan, coupled with several ongoing and new initiatives. We recognize that none of our accomplishments could be achieved without the strong support of the Governor, the Lieutenant Governor and the Board of Commissioners. We therefore extend our heartfelt thanks and appreciation.

Sincerely,

Percival E. Clouden
Chief Executive Officer



THE ECONOMIC DEVELOPMENT COMMISSION

The Economic Development Commission (EDC) is charged with promoting the growth, development and diversification of the economy of the United States Virgin Islands by developing the human and economic resources of the Territory, preserving job opportunities for residents of the U.S. Virgin Islands, and promoting capital formation to support industrial development in the Territory. The EDC is comprised of the Applications Unit, which is the first point of contact by a business seeking to apply for economic development benefits, and the Compliance Unit, which monitors beneficiaries to ensure that they comply with the terms and conditions of their certificates and with other requirements of law.



APPLICATIONS UNIT

The Applications Unit is the first point of contact by a business entity seeking to qualify for economic development benefits. It is primarily responsible for evaluating applications to determine economic and fiscal impacts. The Applications Unit conducts preliminary research and investigations, schedules public hearings, prepares and recommends candidates for economic development benefits to the EDC Board of Commissioners. The Unit also processes requests for extensions, modifications and waivers from EDC beneficiaries.

ACCOMPLISHMENTS

APPLICATIONS

During FY 2009 the Applications Unit received twenty-four (24) applications for economic benefits, which included twelve (12) new applications, nine (9) extensions or modifications, and three (3) requests for waivers. Of the twelve (12) new applications, the Board approved ten (10). By the end of the fiscal year, thirteen (13) applications were pending, and one (1) was tabled for the lack of sufficient information.

These applications represent a projected new payroll of \$13,507,347.00; new investments of approximately \$67,391,888.00; and approximately 282 new jobs.

In spite of the global economic downturn, the EDC Program was able to generate a high level of interest, resulting in significant increases in a number of other key areas. For example, there was a 98% increase in new wages, a potential of 35% increase in new investments, and a 59% increase in new jobs, in comparison to the previous fiscal year. This growth is attributable, in part, to the fact that participating companies are making larger investments in the Territory.

NEW POLICIES AND PROCEDURES

Interested parties will be able to complete and submit the entire application on line in early FY 2010 following a complete and comprehensive revision of the application. A major change in the new revision is the reduced timeframe for retroactivity for economic development tax benefits from eighteen (18) months to twelve (12) months, commencing from the date on which a complete application is filed.

TABLE 1: Economic Development Commission–FY Historical Application Information

| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|--|------------|------------|-------------|-------------|------------|------------|
| # of Apps Received | 58 | 26 | 28 | 24 | 26 | 24 |
| # of Apps Approved | 50 | 20 | 25 | 20 | 20 | 10 |
| # of Apps Tabled or Denied | 2 | 2 | 1 | 0 | 1 | 1 |
| Apps Pending | 7 | 4 | 2 | 4 | 6 | 13 |
| Job Opportunities | 1,660 | 798 | 743 | 1,218 | 213 | 282 |
| Approx. Wages of New Apps | 47,988,871 | 33,063,228 | 20,705,713 | 37,708,081 | 6,629,473 | 13,507,347 |
| Minimum Potential Investment of New Apps | 61,664,321 | 83,882,000 | 312,814,477 | 613,966,946 | 19,836,030 | 67,391,888 |

- No. of Apps Received
- No. of Apps Approved
- No. of Apps Tabled or Denied
- Apps Pending
- Job Opportunities
- Approximate Wages of New Apps
- Min. Potential Investment of New Apps

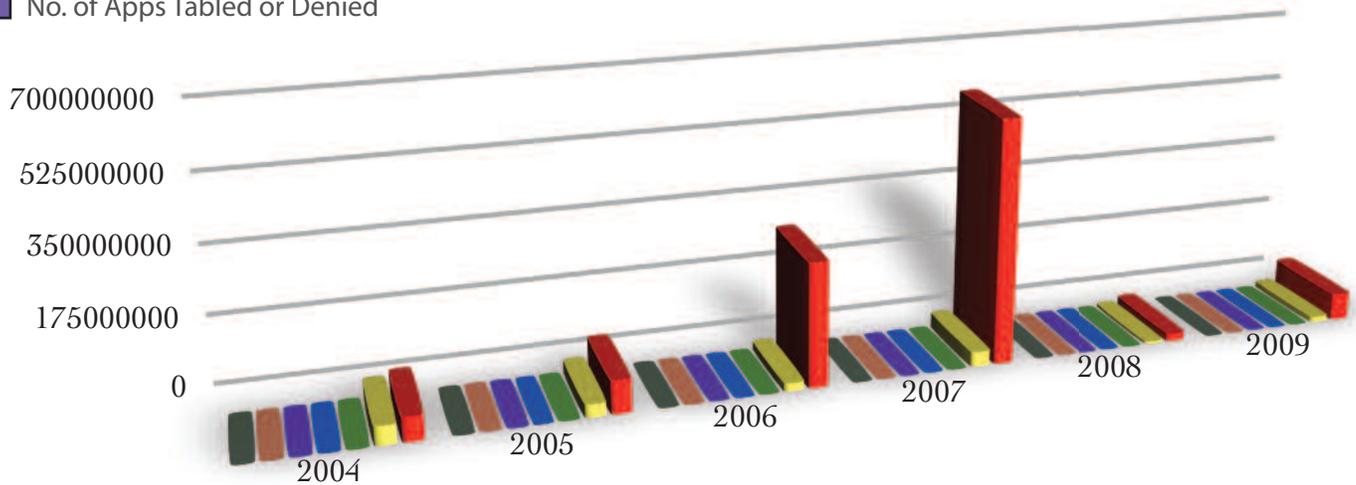
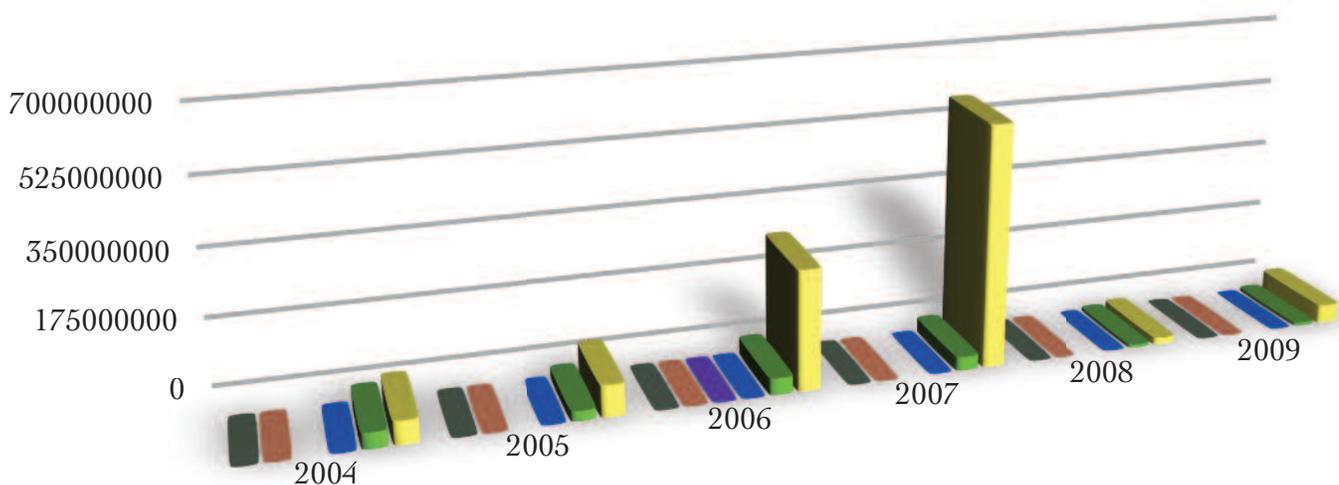


TABLE 2: Economic Development Commission–6 months FY Historical Application Information

| | 2004 as of March 31st | 2005 as of March 31st | 2006 as of March 31st | 2007 as of March 31st | 2008 as of March 31st | 2009 as of March 31st |
|------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| # of Apps Received | 40 | 19 | 22 | 20 | 17 | 11 |
| # of Apps Approved | 9 | 12 | 14 | 9 | 13 | 3 |
| # of Apps Denied | 0 | 0 | 6 | 0 | 0 | 0 |
| Job Opportunities | 1,498 | 605 | 1,608 | 1,144 | 141 | 169 |
| Approx. Wages of New Apps | 40,684,988 | 25,806,712 | 42,089,782 | 35,264,559 | 7,996,700 | 8,163,875 |
| Minimum Potential Investment | 59,380,321 | 79,827,000 | 304,924,477 | 612,871,942 | 17,286,031 | 47,685,000 |

- No. of Apps Received
- No. of Apps Approved
- No. of Apps Denied
- Job Opportunities
- Approximate Wages of New Apps
- Min. Potential Investment of New Apps





THE COMPLIANCE UNIT

The main function of the Compliance Unit is to ensure the integrity of the Economic Development Program and assist the beneficiaries in meeting the requirements outlined in their certificates. The Compliance Unit reports its findings to the EDC Commission, which has the legal authority to assess fines for non-compliance. Funds derived from such penalties are used to support education, workforce development and training programs within the Territory.

ACCOMPLISHMENTS

ORIENTATIONS

The orientation process is a means by which the Compliance Unit helps beneficiaries to understand their compliance requirements, consistent with the terms of their Economic Development Certificates and all applicable federal and local laws. This fiscal year, the Compliance Unit performed a total of nine (9) orientations.

During FY 2009, fourteen (14) Certificates of Benefits were executed. Of that number, eight (8) were for new beneficiaries, while four (4) were requests for extension of benefits, and two (2) requests were for transfer of benefits.

The new beneficiaries represent employment of 127 full-time employees, annual wages of \$3,614,060.00, investment of \$11,291,000.00, annual contributions of \$157,905.00, and annual scholarships of \$45,000.00.

TABLE 1: Certificates of Benefits Issued in FY 2009

| BENEFICIARIES | | INDUSTRY |
|--|------------|---|
| Alpha Value Worldwide, Inc. | (New) | DSB - Financial Services |
| Atlantic Industries | (New) | Manufacturer Windows & Related products |
| Contractors Concrete & Building Supplies, Inc. | (New) | Manufacturer of Aggregates & Sand Mix Concrete |
| Dowson Holding d/b/a Caribbean Beach Resort | (Ext) | Hotel |
| GEM Manufacturing LLC | (Transfer) | Manufacturer of Jewelry & Designated Services |
| Grapetree Shores, Inc. | (Ext) | Hotel |
| Inner Circle Logistics, Inc. | (New) | DSB - Management Advisory |
| Pelican Cove Investments, LLC | (New) | Hotel |
| RC Hotels Virgin Islands, Inc. | (Ext) | Hotel |
| Smooth Kreationz, Inc. | (New) | SBP - Manufacturer & DSB of Signs & Graphic Arts Services |
| Spartan Concrete Products | (New) | Manufacturer of Ready Mix Concrete |
| St. Croix One, LLC | (New) | Guest House Resort |
| Westin St. John Hotel Company | (Mod/Ext.) | Hotel |
| Windward Capital, LLC | (Transfer) | DSB - Financial Consulting, Money Management, Investment |

PETITIONS

In FY 2009, eleven (11) beneficiaries petitioned the EDC for changes to their certificates. These petitions included five (5) requests for waivers of employment, four (4) for suspension of benefits, and two (2) for termination of benefits.

TABLE 2: Beneficiaries and Petitions in FY 2009

| BENEFICIARY | PETITION |
|-----------------------------------|-------------|
| Alliance Management Partners, LLC | Waiver |
| Belair Quartz, Inc. | Waiver |
| Belgravia Partners, LP | Termination |
| Global Financial Strategies, LLC | Suspension |
| Golden Eagle Financials, LLLP | Waiver |
| Green Flash Associates, Inc. | Waiver |
| Odyssey VI, LLLP | Suspension |
| Patriot Lift Company, LLC | Waiver |
| QT Investment Managers, LLLP | Suspension |
| Shoreline Management, Inc. | Suspension |
| Tropex, Inc. | Termination |

COMPLIANCE REVIEWS

In FY 2009, twenty-five (25) compliance reports were completed. At the end of the fiscal year, an additional five (5) were in the review stage, and fourteen (14) are still pending review.

Of the completed reports, thirteen (13) were found to be in full compliance, while the remaining twelve (12) were out of compliance in one or more of the following areas: residency, full-time employment, charitable contribution, investment, procurement, retirement program, internship and/or reporting requirements. The Compliance Unit is awaiting responses from seven (7) beneficiaries regarding their non-compliance with the terms of their certificates.

| COMPLIANCE REPORTS COMPLETED AS OF SEPTEMBER 30, 2009 | |
|---|----------------------------------|
| Alliance Management Partners, LLC | Marmarus Management Company, LLC |
| B&B Manufacturing, Inc. | MOF VI Limited Partnership |
| Cruzan VIRIL, Ltd. f/n/a VI Rum Industries, Ltd. | Mt. Eagle Corporation |
| Derivative Consulting Group, LLC | Paradise Sodas, Inc. |
| Driehaus Capital Management, LLC | Patriot Lift Company, LLC |
| Four Points Management, LLLP | Redhead Management, Inc. |
| Grapetree Shores, Inc. | South Bay Partners, LLLP |
| Green Flash Associates, Inc. | St. Croix Financial Center, Inc. |
| Horizon Feul & Financial Management LLLP (2) | St. Croix Renaissance Group |
| International Capital & Management Company | Sugar Bay Resort, Inc. |
| IVAX (Pralex) Pharmaceuticals, Inc. | Sunshine Shopping Center |
| Margate Management, LP | Tropex, Inc. |

Additionally, a total of ten (10) compliance cases were presented to the Board for action, including seven (7) non-compliance matters and three (3) for reconsideration of penalties. The Board assessed penalties in two (2) cases, totalling \$18,954.58, while waivers/extensions were granted in other cases. A petition for approval of a management agreement was tabled.

ELIGIBLE SUPPLIERS

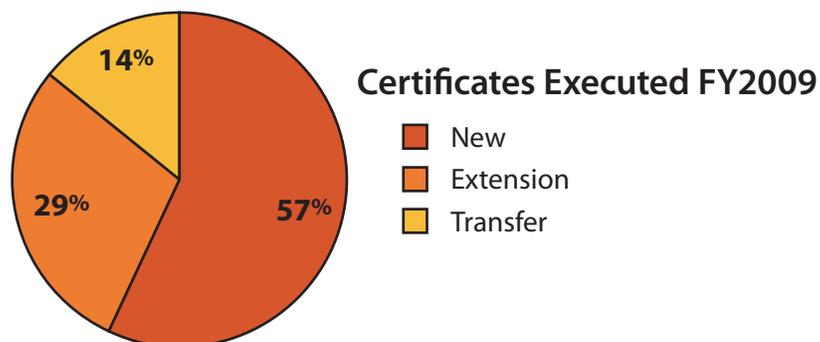
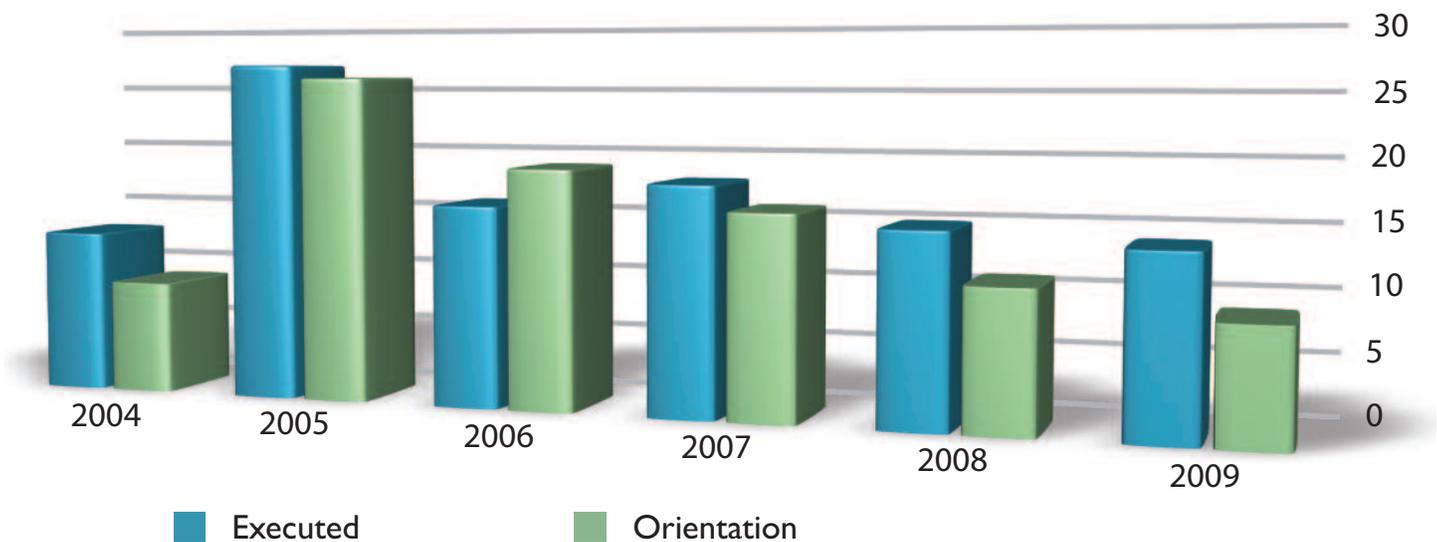
Of the forty-six (46) applications filed under the Eligible Suppliers Program, twenty-nine (29) were approved, including four (4) from the previous year. By the end of the fiscal year, seven (7) applications were denied, and seventeen (17) were pending review. There were 393 businesses in the Eligible Virgin Islands Suppliers Program at the end of the fiscal year. An eligible supplier is a licensed Virgin Islands business which has been in operation for at least one year and which meets other EDC criteria. Such businesses are certified by the EDC for preferential treatment in the provision of goods and services to program beneficiaries.

| ELIGIBLE VIRGIN ISLANDS SUPPLIERS CERTIFIED AS OF SEPTEMBER 30, 2009 | |
|--|---|
| APPLICANTS | TYPE OF BUSINESS |
| Adams Lee Smith Consulting | Auditing & Accounting Services |
| All Around Services | Landscaping, Painting, Garden & Maintenance |
| Almik Investments, LLC | Advertising, Printing & Publishing |
| Azariah John | Taxi Services |
| Awong Glenns d/b/a Intelligence Solutions | Wire Tap Detection, Surveillance, Security & Consulting |
| Blue Water Building Supplies | Construction Contractor |
| Caribbean Professional Interiors, Inc. | All Types of Furnishings & Interior Design |
| Carlton Williams & Associates, Inc. | All lines of Insurance |
| Commercial Security Services Ltd. Inc. | Armed & Unarmed Security Services |
| Complete Networking Solutions | Telecommunications, Consultations, Engineering & Fiber Optics |
| David Rossington d/b/a Nevco Marketing | Food Service, Paper, Janitorial, Kitchen Supplies |
| DeModern Refrigeration | Commercial & Industrial Refrigeration Supplies & Services |
| Elroy Swanston d/b/a Heights Construction | Construction Contractor |
| Franks Lock & Key | All types of Locks, Keys & Safes |
| Functional Furnishings d/b/a Welcome Home | Bath & Body Products, Linen & Furnishings |
| Glass 2000, Inc. | Glass, Doors, Shutters & Customized Installation |
| HT Development, LLC | Carpentry, Painting, Trucking, Project Coordinator & Consultant |
| Integrated Solutions & Consulting | Information Technology, Network Computer Support |
| Marshall & Sterling St. Thomas d/b/a Theodore Tunick & Company | All lines of Insurance |
| Nelson Cooling | Air Conditioning Services |
| OTL Mechanical d/b/a Go Green | Plumbing, Solar, Fire Suppression Systems & HVAC |
| Paradise Properties | Residential & Commercial Housing, Property Sales, Listing & Relocation Services |
| Quezada Services | Cleaning Services |
| Richard & Ayers Real Estate | Property Management & Real Estate Agency |
| Richard Demo d/b/a De Modern Refrigeration | Refrigeration Services |
| Stefferson Marine & Construction LLC | General Marine & Construction Contractor Services |
| Supreme Printing | All Lines of Printing |
| Therese C. Chretien d/b/a Ambrosia Body Care | Therapeutic Massage and Body Work Services |
| TMAC d/b/a Caribbean Packaging | Bags, Paper Products & Food Service Supplies |

FY 2010 OUTLOOK

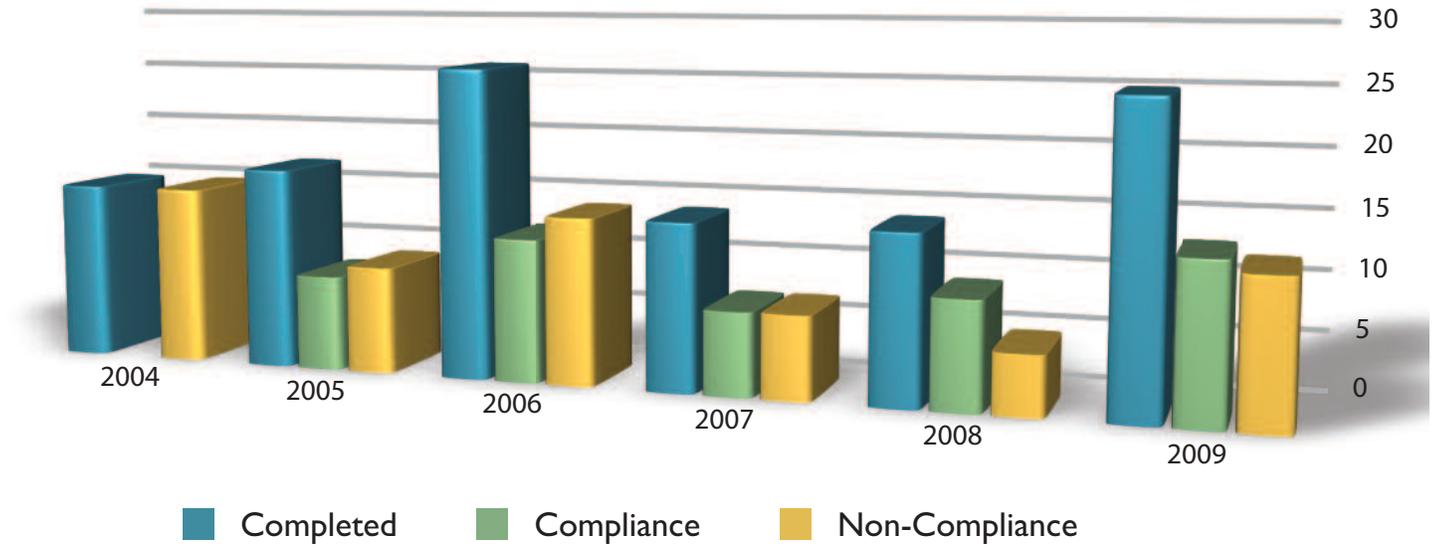
- To work with computer technicians to implement the Application and Compliance Reporting System (ACRS). This will enable the EDC to track applications to determine their status at any point in the review process.
- To work with the Application Unit and Legal Counsel to improve language in EDC certificates and to address policies and procedures that require the sharing of information with these two entities.
- To coordinate and conduct training for the Planning and Monitoring Division of the Virgin Islands Department of Labor.
- To coordinate and conduct EDC Compliance Conferences on St. Thomas and St. Croix.
- To increase the number of compliance reports during 2010.

| CERTIFICATES | | | | | | |
|--------------|--------|--------|--------|--------|--------|--------|
| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
| Executed | 13 | 27 | 16 | 18 | 15 | 14 |
| Orientation | 9 | 26 | 19 | 16 | 11 | 9 |



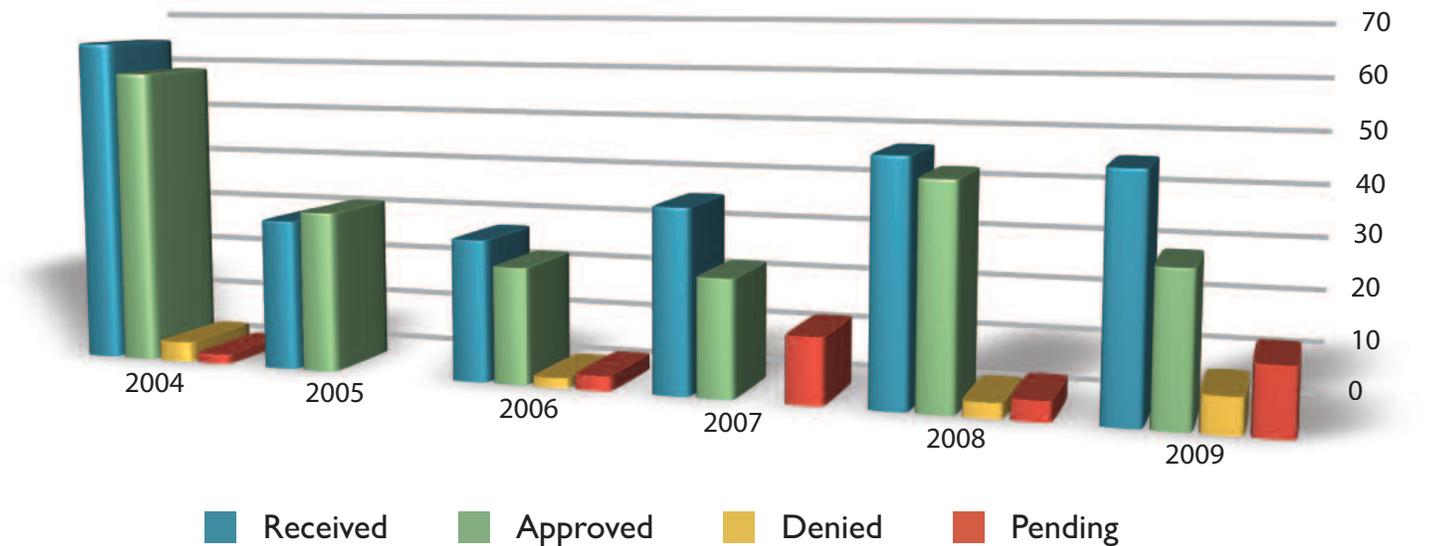
COMPLIANCE REPORTS

| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|----------------|--------|--------|--------|--------|--------|--------|
| Completed | 15 | 17 | 26 | 14 | 14 | 25 |
| Compliance | 0 | 8 | 12 | 7 | 9 | 13 |
| Non-Compliance | 15 | 9 | 14 | 7 | 5 | 12 |



ELIGIBLE SUPPLIERS

| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|----------------|--------|--------|--------|--------|--------|--------|
| Completed | 65 | 30 | 28 | 36 | 47 | 46 |
| Compliance | 59 | 32 | 23 | 23 | 43 | 29 |
| Non-Compliance | 4 | 0 | 2 | 0 | 3 | 7 |
| Pending | 2 | 0 | 3 | 13 | 4 | 13 |





INDUSTRIAL PARK DEVELOPMENT CORPORATION

The Industrial Park Development Corporation (IPDC) is chartered as a public corporation to acquire and operate industrial parks in the United States Virgin Islands and to complement activities of the Economic Development Commission. At present, two (2) such industrial parks fall under the auspices of the IPDC.

The **William D. Roebuck Industrial Park** on the island of St. Croix is flanked by two (2) economic centers, the beautiful and historic towns of Frederiksted and Christiansted, both poised for dynamic growth and investment. The park is housed within four adjoining buildings, providing commercial space which totals 148,160 square feet. There are now three (3) companies located within the park. At the end of FY 2009, the park space was occupied at a rate of 46%. Thus, a significant amount of rental space is available at this ideal location and at very competitive pricing.

The **St. Thomas Industrial Park** is located in the Contant area on a verdant hillside just outside the bustling town of Charlotte Amalie and overlooking the Cyril E. King Airport. The location is a prime, central location in this active metropolis. Compared to the St. Croix park, this facility is significantly smaller, with only 20,000 square feet of commercial space. At the end of FY 2009, 75% of the park's total commercial space was occupied by a total of four (4) companies. To achieve the goal of maximizing the occupancy levels at both parks, the IPDC will begin to advertise the availability of rental space in a variety of local media. In addition to soliciting additional tenants, the IPDC will be used as the sites for the VIEDA's anticipated Business Incubator Program, once the requested clearance is received from the U.S. Department of Commerce.

The IPDC also owns the building at No. 4 King Street in Frederiksted which was purchased in 2002 and houses the offices of the VIEDA.

FY 2010 OUTLOOK

- Increase the level of tenant occupancy
- Improve rent collections and reduce outstanding rent receivables.
- Upgrade and maintain buildings, vehicles, and equipment.



GOVERNMENT DEVELOPMENT BANK

The Government Development Bank (GDB) was created by legislation in 1978 “to aid the insular government in the performance of its duties to develop the economies of the United States Virgin Islands”. However, it was not until 1997 that the GDB received funding and began operations with appropriate staff. Since that time, the GDB has provided access to capital for small and medium-sized businesses in the Territory.

In FY 2009 the GDB experienced an increase in the number of loans reviewed and approved. This resulted in a significant increase in the dollar value of loan disbursements. There also was an 8 percent increase in collections compared to the previous fiscal year. Of the fifty (50) loan packages received during the fiscal year, thirty-six (36) were approved, one (1) was declined, twelve (12) were in various stages of processing, and one (1) was withdrawn. The total dollar value of the approved loans was \$1,571,500.00, which consisted of \$622,000.00 in the District of St. Croix and \$949,500 in the District of St. Thomas-St. John.

| Loan Program | Lending Limit |
|--------------------------------|------------------------|
| Intermediary Relending Program | \$100,000.00 (Maximun) |
| Micro-Credit Loan Program | \$50,000.00 (Maximum) |

The current IRP Loan portfolio consists of ten (10) loans valued at approximately \$534,174.00. The current Micro-Credit Loan portfolio consists of 157 loans valued at \$2,850,860.00.

Additionally, as part of the Governor's economic development initiative for the Territory, a Performance Bonding Program was established earlier in the fiscal year to assist small and medium-sized contractors in obtaining bid, performance, and payment bonds. This will enable these contractors to successfully bid and compete with larger firms for major construction projects, the proceeds of which will remain in the Territory, to the benefit of local residents.

The GDB also is involved in two other initiatives to assist the Territory's small businesses. Through a partnership with the Virgin Islands Energy Office, the GDB will soon be able to assist small businesses and individual homeowners to purchase solar panels in an effort to reduce the cost of electricity to the community. This is in keeping with a federal energy initiative mandated by the Administration of President Barack Obama.

The other initiative is to assist the local Department of Agriculture with the disbursement of funds from the U.S. Department of Agriculture to provide loans to farmers on St. Croix for the purchase of heavy equipment.

The VIEDA remains committed to the GDB's mission of accelerating the economic development of the United States Virgin Islands.



SMALL BUSINESS DEVELOPMENT AGENCY

The Small Business Development Agency (SBDA) was created by the Virgin Islands Legislature in 1969. Since its inception, the SBDA has been one of the catalysts in developing the economy of the United States Virgin Islands through its lending programs. The SBDA currently has five (5) loan programs in its lending portfolio: the Small Business Development Agency Direct Loan Program; the Farmers and Fishermen Loan Program; the Frederiksted Loan Program; the Economic Development Administration Loan Program, (a component of the U.S. Economic Development Administration); and the Transportation Loan Program, which was introduced earlier in the fiscal year. These loan programs carry the maximum lending limits outlined below:

| Loan Program | Lending Limit |
|--|-----------------------|
| SBDA Direct Loan Program | \$50,000.00 (Maximun) |
| Economic Development Administration Loan Programs | \$75,000.00 (Maximun) |
| Farmers & Fishermen Loan Program | \$17,000.00 (Maximun) |
| Frederiksted Loan Program(Frederiksted residents only) | \$20,000.00 (Maximun) |
| Transportation Loan Program | \$75,000.00 (Maximum) |

Another SBDA program is the Small Business Eligibility Certification Program. This is a tax benefit program which mirrors the EDC tax incentive program but is available only to small businesses certified by the SBDA. There are currently seven (7) companies under this program, three (3) on St. Croix and four (4) on St. Thomas-St. John.

A feasibility study to determine the viability of implementing a Small Business Incubator Program as mandated in Act No. 6753 has been completed and is now being referred to as the Small Business Incubator Enterprise Act.

The VIEDA is committed to the SBDA's mission of promoting, creating and expanding small businesses throughout the Territory. To fulfil this mandate, legislation will be proposed early in FY 2010 to merge the SBDA and the GDB so as to eliminate the duplication of services by creating a single comprehensive lending entity under the umbrella of the VIEDA. This would allow the Authority to better serve the small business community by pooling loan funds, modifying or eliminating obsolete loan programs, and creating new products tailored to specific markets. It is anticipated that the consolidation of the GDB and SBDA increase lending limits, reduce interest rates, and add new products and programs to those now available.

COLLECTIONS

With the implementation of an aggressive and intensive collection program during this fiscal year, the total amount of collections increased for the fifth consecutive year. The increase was eight (8) percent over the previous fiscal year.

The SBDA staff worked diligently to reduce the delinquency rate through continuous and consistent collection efforts via telephone calls, collection letters, and site visits. With the assistance of Legal Counsel, action was taken against delinquent borrowers with the filing of several actions for debt and foreclosure. These aggressive actions will be continued against delinquent borrowers during FY 2010.

During FY 2009 the GDB/SBDA lending boards approved a reduction of interest rates on all new loans from 9.5% to Wall Street Journal plus one and one-half percent [effectively now 4.75 percent] in an effort to assist small business owners to more easily meet their repayment obligations. This reduction in interest rate does not apply to programs covered by more specific local legislation.

FY 2010 OUTLOOK

In the first quarter of FY 2010, the VIEDA will launch a 90-day amnesty program that will allow delinquent borrowers to pay 100% of the principal outstanding and be forgiven the interests and late charges owed. This initiative would make more funds available for lending.

The SBDA is also pursuing additional funds from three (3) federal agencies and will make these funds available to the small business community in additional loan opportunities:

- U.S. Department of Agriculture - Application for \$750,000.00 for the GDB's IRP Loan Program.
- U.S. Small Business Administration - Application for funds allocated in blocks of \$750,000.00.
- U.S. Department of Commerce - Application for additional U.S. Economic Development Administration funds in the form of a matching grant.

1. This chart compares the total loan applications processed, approved, and declined, by number and dollar value, for each District and each EDA lending entity in FY06, FY07, FY08, and FY09 and indicates growth trends as a percentage of change.

| APPLICATIONS | | | | | |
|-----------------------|-----------|-----------|-----------|------------------|----------|
| APPLICATIONS | 2006 | 2007 | 2008 | 2009 | % CHANGE |
| BOTH DISTRICTS | | | | | |
| Processed | 52 | 48 | 43 | 50 | 16.0% |
| Approved | 46 | 40 | 31 | 36 | 16.2% |
| Dollar Amount | \$1,237.9 | \$1,006.8 | \$1,330.2 | \$1,571.5 | 18.1% |
| Declined | 6 | 3 | 3 | 1 | -66.6% |
| Dollar Amount | \$200.0 | \$80.0 | \$110.0 | \$100.0 | -9.09% |
| - STX | | | | | |
| Approved | 32 | 27 | 16 | 13 | -18.8% |
| Dollar Amount | \$759.0 | \$677.8 | \$612.2 | \$622.0 | 1.6% |
| - STT/STJ | | | | | |
| Approved | 14 | 13 | 15 | 23 | 53.3% |
| Dollar Amount | \$478.9 | \$329.0 | \$718.0 | \$949.5 | 28.6% |
| COLLECTIONS | \$755.3 | \$844.4 | \$859.1 | \$928.3 | 8.5% |

2. This chart indicates the type (new and existing) and number of business served by both the GDB and SBDA by fiscal year.

| | | | | | |
|-----------------------|----|----|----|-----------|--------|
| BOTH DISTRICTS | | | | | |
| New | 23 | 15 | 11 | 17 | 54.5% |
| Existing | 23 | 25 | 20 | 19 | -5.0% |
| - STX | | | | | |
| New | 17 | 10 | 7 | 4 | -42.9% |
| Existing | 15 | 17 | 9 | 9 | 0% |
| - STT/STJ | | | | | |
| New | 6 | 5 | 4 | 13 | 225.0% |
| Existing | 8 | 8 | 11 | 10 | -9.09% |

3. This chart indicates the jobs created and saved as a result of financing from both the GDB and SBDA by fiscal year.

| | | | | | |
|-----------------------|----|----|----|-----------|--------|
| BOTH DISTRICTS | | | | | |
| Created | 44 | 63 | 43 | 26 | -39.5% |
| Saved | 43 | 40 | 53 | 51 | -3.8% |
| - STX | | | | | |
| Created | 30 | 46 | 30 | 4 | -86.7% |
| Saved | 33 | 25 | 27 | 12 | -55.6% |
| - STT/STJ | | | | | |
| Created | 14 | 17 | 13 | 22 | 69.2% |
| Saved | 10 | 15 | 26 | 39 | 50.0% |

4. This chart indicates the total collections received in each office on a monthly basis for all the GDB and SBDA loan programs by District.

| LENDING UNIT COLLECTION REPORT | | FISCAL YEAR 2009 | |
|--------------------------------|---------------------|---------------------|---------------------|
| MONTH | STX | STT/STJ | TOTAL |
| October | \$36,195.24 | \$23,533.12 | \$59,728.36 |
| November | \$40,959.53 | \$26,699.32 | \$67,658.85 |
| December | \$39,059.55 | \$33,568.21 | \$72,627.76 |
| January | \$58,610.65 | \$44,909.40 | \$103,520.05 |
| February | \$77,166.28 | \$30,896.44 | \$108,062.72 |
| March | \$41,229.45 | \$44,849.62 | \$86,079.07 |
| April | \$49,598.33 | \$57,306.46 | \$106,904.79 |
| May | \$28,316.00 | \$36,576.20 | \$64,892.20 |
| June | \$32,571.76 | \$32,713.62 | \$65,285.38 |
| July | \$29,773.17 | \$31,919.70 | \$61,692.87 |
| August | \$26,883.54 | \$37,486.93 | \$64,370.47 |
| September | \$27,837.79 | \$39,624.10 | \$67,461.89 |
| TOTAL | \$488,201.29 | \$440,083.12 | \$928,284.41 |

*As of September 30, 2009

5. This chart compares the total collections received for all the GDB and SBDA loan programs by Fiscal Years (2006–2009).

| LENDING UNIT COLLECTION COMPARISON REPORT | | FISCAL YEARS 2006-2009 | | |
|---|---------------------|------------------------|---------------------|---------------------|
| QUARTER | FY2006 | FY2007 | FY2008 | FY2009 |
| 1ST | \$101,165.88 | \$158,529.47 | \$225,565.47 | \$200,014.97 |
| 2ND | \$115,712.17 | \$244,006.44 | \$193,192.68 | \$297,661.84 |
| 3RD | \$242,037.07 | \$200,746.64 | \$216,299.43 | \$237,082.37 |
| 4TH | \$297,058.98 | \$241,135.75 | \$224,058.61 | \$193,525.23 |
| TOTAL | \$755,974.10 | \$844,418.30 | \$859,116.19 | \$928,284.41 |



ENTERPRISE ZONE COMMISSION

The Enterprise Zone Commission (EZC) was created by the Legislature of the Virgin Islands with the passage of Act No. 6294. The legislation is intended to revitalize once socially and economically vibrant communities which have become blighted and distressed. The authorizing act further provides for tax incentives and economic development program benefits, free from regulatory barriers which inhibit economic growth. It encourages collaboration among public, private and non-profit entities in order to accomplish the desired objectives.

ACCOMPLISHMENTS

According to the International Economic Development Council (IEDC), economic development refers to “programs, policies or activities to improve the economic well being and quality of life for a community by creating and/or retaining jobs that facilitate growth and provide a stable tax base.” In the last year, the Enterprise Zone Commission has endeavored to use many of the tools available to the division in order to improve the well being and quality of life for the communities it serves.

ENTERPRISE ZONE COMMISSION TAX CREDIT BENEFICIARY LISTING

| BENEFICIARY | BUILDING LOCATION | ZONE | ACTIVITY | INVESTMENT |
|------------------------------|-----------------------|------|---------------|------------|
| A&N Holdings II, LLC | #13 Strand Street | F | Office | \$100,000 |
| Bhagwandeem Persad, Inc. | #22 Gamie Gade | S | Mix Use | \$250,000 |
| BLBJ Property Management LLC | #10A East Street | C | Residential | \$110,000 |
| Chelsnia Rental, LLP | #20-20A Market Street | C | Residential | \$55,000 |
| Flower Dan, Inc. | #33 King Street | C | Bakery | \$100,000 |
| Kalima Center, Inc. | #54 King Street | C | Health Center | \$390,000 |
| Larry R. Witkop | #21 Regierings Gade | S | Mix Use | \$100,000 |
| Michael & Kim Sanford | #14ABA Church Street | C | Office | \$149,000 |
| Morymac, LLC | #9B Prince Street | C | Office | \$149,000 |
| Orneth LaCorbiniere | #16 & 17 Kings Street | C | Mix Use | \$600,000 |

The beneficiaries’ buildings house 20 businesses within the Zones. The types of businesses include a hotel & food related (7), grooming & clothing retail (5) professional services (7), EDC Beneficiaries (1).

The tax credit program, although small, has positively affected the economy. For every \$1.00 credited against a taxpayer's liability, \$6.22 was directly expended in the community. In the current economy, the tax credit program has the potential not only to bolster the economy in general, but also to help the individual as well.

EZ BY THE NUMBERS

| | CUMULATIVE | FY2008 |
|---|--------------------|------------------|
| Rehabilitation investment | \$1,557,607 | \$162,610 |
| Machinery | \$52,455 | \$12,369 |
| TOTAL CAPITAL INVESTMENT | \$1,610,062 | \$174,979 |
| Salary | \$2,441,298 | \$87,586 |
| TOTAL BENEFIT | \$4,051,360 | \$262,565 |
| Capital investment (towards income/gross) | \$390,722 | \$41,972 |
| Employee allowance (towards income / gross) | \$4,000 | \$0* |
| Machinery allowance (toward income /gross) | \$5,246 | \$1,237 |
| Property tax differential | \$0 | \$0** |
| TOTAL COST | \$395,968 | \$43,209 |
| COST: BENEFIT | 1 to 10.27 | 1 to 6.22 |

*Beneficiary's with temporary employees are not afforded employee allowance.

** Since property tax bills have not been issued for 2008 through present a proper assessment of the differential could not be determined.

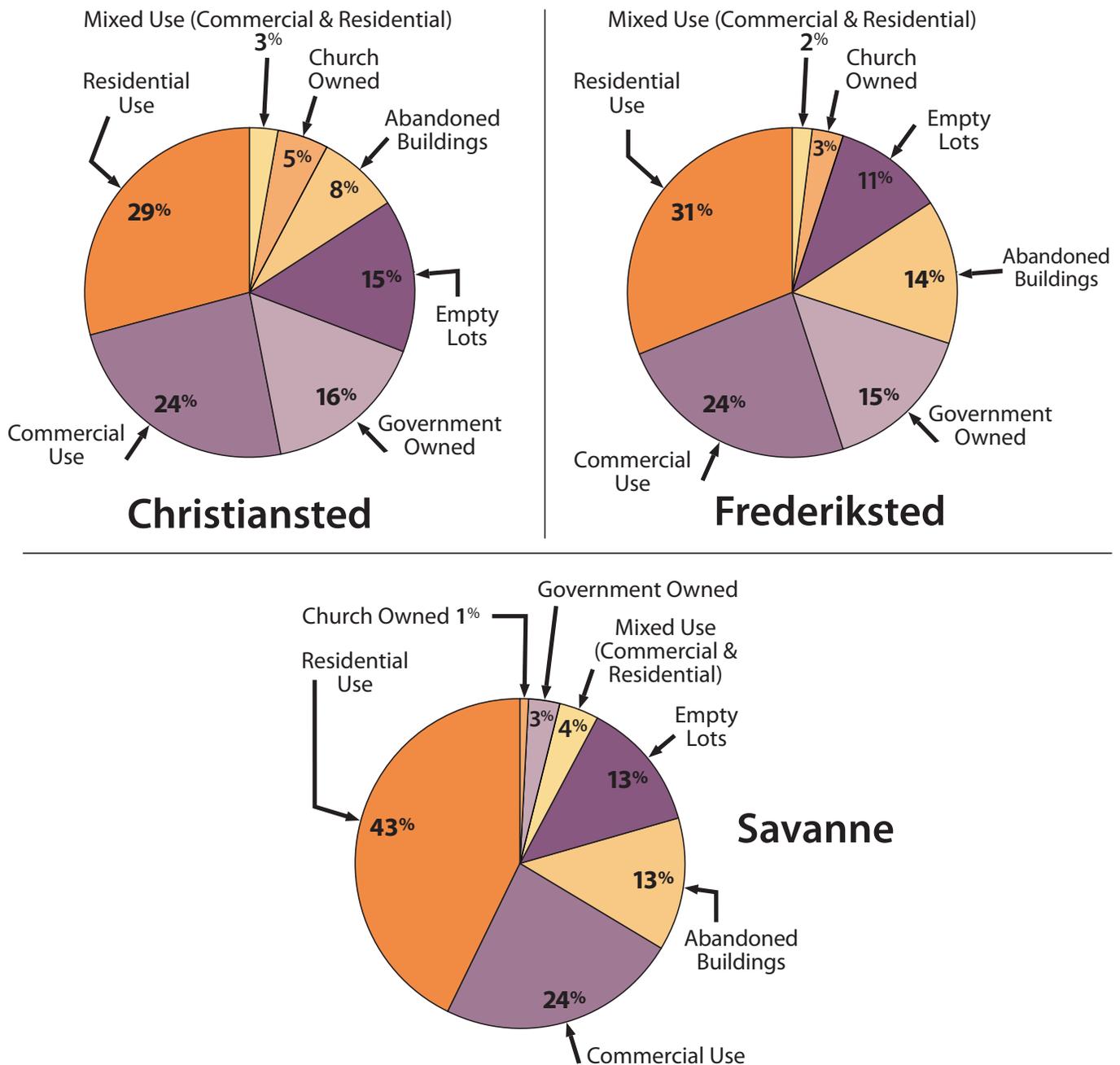
Other programs, such as the Scrape, Paint & Rejuvenate project and the Savanne Community Garden, are being made possible by grants from the Housing Finance Authority's Community Development Block Grant Program and from the Department of Agriculture. These community-based programs provide new economic opportunities by creating an environment where businesses can thrive. For residents, these programs are returning the neighborhoods to the vibrant communities they once were. They also provide hope of renewed economic activity for both the community at large and for individual businesses.

ENTERPRISE ZONE COMMISSION PAINT & SCRAPE BENEFICIARY LISTING

| BENEFICIARY | BUILDING LOCATION | ZONE |
|--------------------------------------|------------------------|------|
| Ann Alicia Garcia | #4A Regjerings Gade | S |
| Clevia Robles | #50 Vester Gade | S |
| Delois Abraham | #10A Pile Strade | S |
| Donald Stephens | #11CC General Gade | S |
| Dora Martin | #30 Queen Street | F |
| Earlyn Cruse | #11 Vester Gade | S |
| Frederica Charles | #19A & 20 King Street | F |
| Hyacinth Nesbitt | #45-46 King Street | F |
| Joseph Hobson | #20 Regjerrings Gade | S |
| Lutheran Social Services | #62 Prince Street | F |
| Maud Roberts | #43 Prince Street | F |
| Methodist Training & Outreach Center | #4A Kronprindsens Gade | S |
| Pier 69 | #69 King Street | F |
| Renee Kean | #12AAA General Gade | S |
| Rochelle Smith | #39 Queen Street | F |
| Theresita Frazier | #48 Vester Gade | S |

Of the various Enterprise Zone Commission programs, the Estate Planning Seminars have, by far, had the greatest impact on persons within the communities. The number of requests for the seminars to be repeated has been overwhelming. The decisions made by individuals to continue the active life of their buildings allow for businesses to proceed in their locations uninterrupted by probate issues. This type of activity bolsters the economy by assisting with the retention of businesses and jobs for generations to come.

Additionally, in this fiscal year, The Enterprise Zone Commission has completed the survey of more than 800 buildings in the Zones and now has an overall picture of the economic opportunities that the properties within these Zones present. With the implementation of the Enterprise Zone law and as a result of other programs and activities that have occurred this year, the Commission has created and retained jobs that have facilitated economic growth in the Territory.



- **Induce Investment:** To induce investment, the EZC plans to work with the Small Business Development Center (SBDC) and non-profit stakeholders to bring to the enterprise zones small businesses that do not have established locations. The EZC also plans to work with local banks to offer low-interest loans for enterprise zone businesses.
- **Rehabilitation Loans & Grants:** The EZC will continue to explore various sources of grant funding, including online grant opportunities, as well as grant resources available through other government agencies and professional associations. These funds will directly benefit property owners in the zones and will also assist stakeholders in continuing the work that they have begun to improve the historic towns.
- **Town Plans:** The town plans which provide an economic development roadmap for specific communities will be developed through charettes. These are a series of meetings aimed at creating consensus among stakeholders from various sectors in each enterprise zone.
- **Continuing programs:** The Enterprise Zone Commission will continue the many programs which have brought economic growth to the Territory. The agency will continue educating the residents of the zones on estate planning, focusing closely on grant application, community outreach, and EZC program administration.



MARKETING INITIATIVES

The purpose of the Marketing Unit is to promote the five (5) entities of the VIEDA and the activities and events that contribute to the enhancement of economic development in the U.S. Virgin Islands. The unit is also responsible for assisting the VIEDA in educating local residents and investors about the economic development programs available through the Authority to spur economic growth.

Despite the challenging global economic environment, the VIEDA systematically implemented effective marketing strategies during FY 2009. However, the VIEDA was in a position to take advantage of the current economic situation, which it leveraged to attract new businesses to the Territory, expand local small businesses, and encourage retention of current beneficiaries of the Economic Development Program.

During FY 2009, the Marketing Unit used as its roadmap the comprehensive Marketing and Strategic Plan that was developed by a local consulting company, the Council for Information and Planning Alternatives, Inc. (CIPA). The plan includes mechanisms and strategies to effectively address key areas, such as cost benefits, economic impacts and marketing. The Strategic and Marketing Plan serves as the blueprint for the Authority as it proceeds in attracting, retaining and expanding businesses throughout the Territory.

Among the accomplishments of the Marketing Unit relative to its external reach was its focus on promoting the Economic Development Program both nationally and internationally. This was done through participation and/or attendance at several national and international marketing forums; through the initiation of one-on-one marketing meetings; and through collaboration with Delta Airlines to produce an in-flight “quality of life” video on the U.S. Virgin Islands. This appealing video has been seen by more than 2.5 million passengers.

On the local level, the Marketing Unit's approach was multifaceted, utilizing a combination of press releases and advertisements via the print and electronic media to increase awareness of the Authority's programs and objectives. The Unit participated in cultural and economic development fairs and made presentations before business and community organizations and at VIEDA-sponsored seminars, workshops and training courses offered to our multiple stakeholders.

In FY 2009, the Marketing Unit also completed the redesign and enhancement of the Authority's website, an ongoing initiative which reflects the dynamic nature and marketing potential of the Internet. Recognizing the marketing power of the Internet, this initiative is ongoing. At a July 2009 GDP global development seminar held in London, England, the VIEDA's website was rated second out of thirteen (13) websites operated by global financial promotion agencies. At present, the Marketing Unit is shifting its focus to increasing website's Search Engine Optimization (SEO) capabilities.

In FY 2010 the Marketing Unit will continue to be diligent in its outreach efforts to market our program of benefits both locally and abroad. The Unit will emphasize to prospective investors the unique combination of significant tax benefits and a good quality of life. Locally, it will encourage and support entrepreneurship by increasing community awareness of the resources available through the VIEDA for small business creation, expansion and retention.





SPECIAL PROJECTS

FY 2009 was a record year of major accomplishments for the Virgin Islands Economic Development Authority, as indicated by the following economic development projects that will have long-term positive effects on the economy of the Virgin Islands, specifically the island of St. Croix:

DIAGEO: Construction on this project to build a world-class rum distillery to provide rum for the Captain Morgan label was started during FY 2009 and should be completed late in 2010. This project has resulted in additional employment opportunities and small business participation by local residents. Diageo's involvement in the community as a corporate citizen will continue to have a positive impact on the Territory.

TAX INCREMENT FINANCING: Island Crossings Shopping Center, with Home Depot as the anchor store, is the first Tax Increment Financing (TIF) project in the territory. Ground breaking ceremonies were held shortly following the close of FY 2009 with construction on this project to commence early in FY 2010.

CRUZAN RUM: A new agreement was executed to increase production, mitigate concerns by the Environmental Protection Agency (EPA), and guarantee production on St. Croix for an additional thirty (30) years. Fortune Brands, the new owners of Cruzan VIRIL, will utilize the production for the company's Ronrico and Cruzan VIRIL brands. This will result in additional employment opportunities and small business participation, and, ultimately, increased revenues for the local Treasury.

CRUISE SHIPS: The Authority continues to support this industry by providing an opportunity for tour bus operators to lease buses, as it is estimated that there will be approximately seventy-one (71) port calls to St. Croix this season. The program will enable tour bus operators to lease buses which meet the specifications of the cruise ship industry. This assistance has been made possible through a partnership between the Authority and the Public Finance Authority.

HOTEL RESORT DEVELOPMENT: William and Punch and Robin Bay are in negotiations with Coastal Zone Management (CZM). Golden Gaming continues to pursue the development of its property in the Great Pond area.





TAX INCREMENT FINANCING

The Government of the Virgin Islands enacted the Tax Increment Financing (TIF) program in June 2007 as an alternative means of promoting growth and development in financing the cost of housing; retaining and attracting industries and commerce; increasing transportation and public services; improving public utilities; and enhancing educational, recreational, medical, cultural and other facilities to benefit the people of the Virgin Islands.

In September 2009, the Government of the Virgin Islands through its Public Finance Authority issued a series of notes as Tax Increment Revenue Bond Anticipation Notes (Virgin Islands Tax Increment Revenue Loan Note - Island Crossings Shopping Center), Series 2009A, in the aggregate principal amount of up to \$15,700,000. The proceeds of these BANs will be used to (1) provide interim financing for a portion of the Island Crossings Project; (2) finance capitalized interest payable on the Series 2009A Bond Anticipation Notes; and (3) pay certain costs incidental to the issuance of the Series 2009A Bond Anticipation Notes. In October 2009, Island Crossings Shopping Center broke ground on the Project – the First Tax Increment Financing Project in the United States Virgin Islands.

The Board of the Economic Development Authority is committed to being proactive in utilizing this dynamic tool for economic growth and is beginning discussions on the development of Tax Increment Finance Areas or more commonly called District Wide TIFs. The district- wide approach is applied in a speculative manner after careful and meticulous development study for large areas or districts (in our case territory) and encompasses a mix of land uses over wide areas or pockets with the intent of changing the character or nature of the community by reversing decline and encouraging redevelopment. The VIEDA will seek to identify funding to conduct feasibility studies and to develop TIF areas.

INVESTMENTS

The Virgin Islands Economic Development Authority (VIEDA) has invested \$2.5 Million in a Certificate of Deposit. Although this investment option provides a lower return than might be possible with other investment alternatives, it is much safer in the volatile financial environment.



FINANCIALS

**VIRGIN ISLANDS
ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2009**

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Virgin Islands Economic Development Authority
St. Thomas, U.S. Virgin Islands

We have audited the accompanying statement of net assets of the Virgin Islands Economic Development Authority (a component unit of the Government of the United States Virgin Islands) as of September 30, 2009, and the related statement of revenues, expenses and changes in net assets and statement of cash flows for the year then ended. These financial statements are the responsibility of the management of the Virgin Islands Economic Development Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The status of the outstanding loans receivable related to the Economic Development Authority's assumed old SBDA loan portfolio remains unchanged. Additional loans determined to be uncollectible during the audit period have been written off, resulting in a reduction in the allowance provision; however the responses to the loan confirmation requests continue to be unacceptably low with a greater percentage being returned as undeliverable. The percentage relationship of the subject loans in relation to the total loan portfolio of the Economic Development Authority exceeds 50%. The associated provision for estimated uncollectible loans is estimated to be in excess of 80%. Until all available options available to management are exhausted to help determine the status regarding collectability of this category of loans receivable, our inability to satisfy ourselves as to the real impact on the financial position of the Economic Development Authority continues.

In our opinion, except for the possible effects of any adjustments resulting from the condition described in the preceding paragraph, the financial statements referred to in the first paragraph above, present fairly, in all material respects, the financial position of the Virgin Islands Economic Development Authority as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2010, on our consideration of the Authority's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over the financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 7 is not a required part of the basic financial statements but represents supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combined statement of net assets and statement of revenues, expenses, and changes in net assets on pages 21-23 are presented for purposes of additional analysis and are not required parts of the basic financial statements of the Virgin Islands Economic Development Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except for the effects of any possible adjustments that might result from the conditions described in paragraph 3 above, is fairly stated in all material respects in relation to the financial statements taken as a whole.

ROY D JACKSON, CPA, LLC
U.S. VIRGIN ISLANDS

March 8, 2010

**VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2009**

The Virgin Islands Economic Development Authority (the Authority) was created on December 21, 2000 to assume, integrate and unify the functions of the Government Development Bank, the Economic Development Commission, the Industrial Park Development Corporation, the Small Business Development Agency, and more recently, the Enterprise Zone Commission, and the Tax Increment Financing (hereinafter referred to as GDB, EDC, IPDC, SBDA, EZ, and TIF respectively) under one executive board in order to achieve maximum efficiency, streamline operations, and develop comprehensive programs to promote and enhance the economic development of the Territory.

The Authority accomplishes its mission by (1) attracting or luring investors from the mainland to establish or relocate their businesses to the Virgin Islands, and (2) providing financial assistance through its lending arms (GDB and SBDA) to emerging and established businesses in the Territory.

The Authority is funded primarily by allotments from the Office of Management and Budget via the Department of Finance based on an approved budget authorized by the Legislature of the Virgin Islands.

As management of the Virgin Islands Economic Development Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended September 30, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements. This overview and analysis is required by accounting principles generally accepted in the United States of America ("GAAP"), and Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Government*.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: Management's discussion and analysis, the financial statements and supplementary schedules. The Authority is a component unit of the Government of the U.S. Virgin Islands, and follows enterprise fund reporting. The financial statements, therefore, are presented in a manner similar to that of a private business, using the economic resources measurement focus and the accrual basis of accounting.

The financial statements report information for all of the Authority's operations. The statement of net assets includes all of the Authority's assets and liabilities. All of the revenues and expenses of the Authority are accounted for in the statements of revenues, expenses and changes in net assets. The notes provide additional information that is essential to a full understanding of the data provided in the Authority's financial statements. The notes describe the nature of the Authority's reporting entity and the relationship to the Government of the U.S. Virgin Islands as a whole, the basis on which the financial statements were prepared, and the methods used for presentation.

Fund financial statements are presented as supplementary schedules. These schedules separate the financial statements and operations for each of the seven major funds.

FINANCIAL HIGHLIGHTS

- In fiscal year 2009, net assets increased by \$71,775, which represents a 2.7 percent increase compared to the prior fiscal year.
- The Authority reported operating revenues of \$783,290, which reflects a decrease of \$34,593 or 4.2 percent below the prior fiscal year ended September 30, 2008. The operating loss of \$4,662,311, when

compared to the prior year's operating loss of \$4,799,941, represents an increase in operating performance in the amount of \$137,630, a 2.9 percent increase.

- To subsidize operating expenses, transfers (appropriations) in the amount of \$4,511,329 were received from the Government of the Virgin Islands during the fiscal year. Compared to the prior fiscal year, this amount represented an increase in the amount of \$635,418 (a 16.4 percent increase).

The following table represents comparative condensed statements of net assets for the Authority as of September 30, 2009 and 2008, with an indication of the variances in each reporting category.

**VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
CONDENSED NET ASSETS**

| ASSETS | <u>2009</u> | <u>2008</u> | <u>Variance</u> |
|---|----------------------|----------------------|------------------------|
| Current Assets: | | | |
| Cash and Cash Equivalent | \$ 2,307,493 | \$ 3,127,798 | \$ (820,305) |
| Cash – Restricted | 2,559,772 | 2,401,488 | 158,284 |
| Current Investments | 530,937 | 1,258,223 | (727,286) |
| Accounts Receivable, Net | 272,633 | 230,023 | 42,610 |
| Prepaid and Other Deposit | 127,346 | 99,021 | 28,325 |
| Other Current Assets | <u>328,268</u> | <u>131,046</u> | <u>197,222</u> |
| Total Current Assets | 6,126,449 | 7,247,599 | (1,121,150) |
| Non-current Assets: | | | |
| Loan Receivable, Net | 4,198,017 | 2,977,886 | 1,220,131 |
| Other Non-current Assets | <u>3,654,834</u> | <u>2,545,603</u> | <u>1,109,231</u> |
| Total Non-Current Assets | 7,852,851 | 5,523,489 | 2,329,362 |
| Capital Assets, Net | <u>3,740,147</u> | <u>3,419,940</u> | <u>320,207</u> |
| Total Assets | <u>\$ 17,719,447</u> | <u>\$ 16,191,028</u> | <u>\$ 1,528,419</u> |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | \$ 1,315,160 | \$ 1,425,631 | \$ (110,471) |
| Non-Current Liabilities | <u>13,680,747</u> | <u>12,113,632</u> | <u>1,567,115</u> |
| Total Liabilities | 14,995,907 | 13,539,263 | 1,456,644 |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Related Debt | 3,740,147 | 3,419,940 | 320,207 |
| Restricted: | | | |
| Loans | 4,170,262 | 2,632,801 | 1,537,461 |
| Scholarships | 205,877 | 114,768 | 91,109 |
| Unrestricted | <u>(5,392,746)</u> | <u>(3,515,744)</u> | <u>1,877,002</u> |
| Total Net Assets | <u>\$ 2,723,540</u> | <u>\$ 2,651,765</u> | <u>\$ 71,775</u> |

The Authority's cash and equivalents balance as of September 30, 2009 decreased by \$820,305 which represents a decrease of 26.2 percent compared to the prior year. The annual variations in cash and equivalents balances reflect the impact of all the various cash transactions during the fiscal year.

1. 'Loans receivable, Net' increased by \$1,220,131, representing a 41 percent increase over the prior fiscal year. This increase was due to the Authority continuing to promote and successfully operate its newer loan programs which continue to experience double-digit annual increases in the dollar value of new loans issued.
2. As of September 30, 2009, the Authority reported total assets of \$17,719,447, total liabilities of \$14,995,907 and total net assets of \$2,723,540.

**VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
CHANGES IN NET ASSETS**

| ASSET | <u>2009</u> | <u>2008</u> | <u>Variances</u> |
|---|---------------------|---------------------|-------------------------|
| Operating Revenues: | | | |
| Application and Processing Fees | \$ 405,370 | \$ 407,350 | \$ (1,980) |
| Rental Income | 345,645 | 377,909 | (32,264) |
| Other | <u>32,275</u> | <u>32,624</u> | <u>(349)</u> |
| Total Operating Revenue | <u>783,290</u> | <u>817,883</u> | <u>(34,593)</u> |
| Operating Expenses: | | | |
| Salaries and Benefits | 3,069,484 | 2,853,437 | 216,047 |
| Occupancy | 283,779 | 282,301 | 1,478 |
| Advertising | 195,431 | 92,137 | 103,294 |
| Professional Services | 316,955 | 998,182 | (681,227) |
| Travel and Per Diem | 201,922 | 207,888 | (5,966) |
| Other Administrative | 732,910 | 635,680 | 97,230 |
| Depreciation and Amortization | 645,050 | 497,186 | 147,864 |
| Uncollectible Accounts Expense | <u>0</u> | <u>51,013</u> | <u>(51,013)</u> |
| Total Operating Expenses | <u>5,445,601</u> | <u>5,617,824</u> | <u>(172,223)</u> |
| Operating Loss | <u>(4,662,311)</u> | <u>(4,799,941)</u> | <u>137,630</u> |
| Non-Operating Revenues (Expenses): | | | |
| Other | 35,898 | (117,302) | 153,200 |
| Interest Income | 190,801 | 256,995 | (66,194) |
| Interest Expense | <u>(3,942)</u> | <u>(20,098)</u> | <u>16,156</u> |
| Total Non-Operating Revenues (Expenses) | <u>222,757</u> | <u>119,595</u> | <u>103,162</u> |
| Net Income (Loss) Before Transfers | <u>4,511,329</u> | <u>3,875,911</u> | <u>635,418</u> |
| Change in Net Assets | (71,775) | (804,435) | 876,210 |
| Net Assets Beginning of Year | <u>\$ 2,651,765</u> | <u>\$ 3,456,200</u> | <u>\$ (804,435)</u> |
| Net Assets End of Year | <u>\$ 2,723,540</u> | <u>\$ 2,651,765</u> | <u>\$ 71,775</u> |

- During the audit period, operating revenues totaled \$783,290 which represented a decrease of 4.2 percent when compared to the prior fiscal period. This decrease reflected a corresponding decrease in application and processing fees.
- Total operating expenses of the Authority for fiscal year ended September 30, 2009, excluding depreciation and amortization, was \$4,800,551; the major categories of expenditures included \$3,069,484 for salaries and benefits, \$316,955 for professional services, other administrative expenses totaling \$732,910, occupancy expenses \$283,779, with lesser amounts for advertising, travel and per diem expenses.
- During the audit period, the Authority continued its efforts to obtain approval to write off aged SBDA related loans, which were assumed in 1997, and which were determined to be uncollectible after ongoing efforts to collect throughout the past periods. During the audit period, the Authority wrote off in excess of \$87,000 as uncollectible, recognizing that if collection becomes possible in the future, such accounts will be reinstated and collection will take place. The existing allowance for uncollectible accounts is considered to be adequate. There is a 5% provision for possible uncollectible loan accounts related to the more current loans managed by the Government Development Bank Fund. Future decisions relating to the management of the loan portfolio, especially the delinquent loans, will determine the adequacy of the present estimated provisions for uncollectible accounts, and trigger any possible future adjustments as determined to be necessary.

CAPITAL ASSETS: The Industrial Park Development Corporation purchased the Kodak Building in Frederiksted, St. Croix from Blak Corporation and entered into a mortgage agreement with a principal sum of \$350,000. The mortgage has an interest rate of 8% and a term of 10 years, ending June 2012. The outstanding principal balance as of September 30, 2009, is \$122,005. In fiscal year 2009, the Authority's capital additions to the facility amounted to \$972,843 which included \$894,860 for four buses for the St. Croix District, office equipment of \$62,383, and building improvements of \$15,600.

PROGRAMS

Enterprise Zone Program – This program offers incentives for businesses to invest in severely economically depressed areas in St. Thomas and St. Croix. The program provides tax credits to businesses, which provide employment to residents of the designated areas. During the audit period, extensive promotion was carried out by the Director of this Program in various communities of the territory.

Tax-Incentive Program – This 5 year program is aimed at local entrepreneurs who want to develop and expand their current businesses in exchange for various tax exemptions.

Micro Loan Program – This program is geared to current and potential business owners who meet certain eligibility criteria. The micro-loans range from \$1,000 to \$50,000, have an interest rate of 5% and a term of 5 years. The Micro Loan program is administered by the Government Development Bank.

REQUEST FOR INFORMATION – This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Virgin Islands Economic Development Authority, Department of Finance, 1050 Norre Gade #5, St. Thomas, VI 00802.

BASIC FINANCIAL STATEMENTS

**VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2009**

| | 2009 | 2008 |
|--|-------------|-------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalent | 2,307,493 | 3,127,798 |
| Cash – Restricted | 2,559,772 | 2,401,488 |
| Current Investments | 530,937 | 1,258,223 |
| Accounts receivable, Net | 272,633 | 230,023 |
| Prepaid and Other Deposit | 127,346 | 99,021 |
| Other Current Assets | 328,268 | 131,046 |
| Total Current Assets | 6,126,449 | 7,247,599 |
| Noncurrent Assets: | | |
| Loan receivable, Net | 4,198,017 | 2,977,886 |
| Investment | 3,609,231 | 2,500,000 |
| Loan Guaranty | 45,603 | 45,603 |
| Total Noncurrent Assets | 7,852,851 | 5,523,489 |
| Capital Assets, Net | 3,740,147 | 3,419,940 |
| Total Assets | 17,719,447 | 16,191,028 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities: | | |
| Accounts Payable | 14,593 | 496,185 |
| Compensated Absences | 261,991 | 220,425 |
| Accrued & Other Liabilities | 83,746 | 40,000 |
| Trust Fund Scholarships | 205,877 | 114,768 |
| Inter-Fund Obligations | 748,953 | 554,253 |
| Total Current Liabilities | 1,315,160 | 1,425,631 |
| Noncurrent Liabilities: | | |
| Tenant Security Deposits | 34,404 | 34,404 |
| DOA Loan Fund | 630,000 | |
| Inter-Fund Obligations | 683,512 | 683,512 |
| Micro Loan Revolving Trust Funds | 3,257,800 | 3,257,800 |
| Revolving Loan Funds | 6,613,142 | 6,613,142 |
| Long Term Debt & Obligation | 2,461,889 | 1,524,774 |
| Total Non-Current Liabilities | 13,680,747 | 12,113,632 |
| Total Liabilities | 14,995,907 | 13,539,263 |
| Net Assets: | | |
| Invested in Capital Assets Net of Related Debt | 3,740,147 | 3,419,940 |
| Restricted: | | |
| Loans | 4,170,262 | 2,632,801 |
| Scholarships | 205,877 | 114,768 |
| Unrestricted | (5,392,746) | (3,515,744) |
| Total Net Assets | 2,723,540 | 2,651,765 |

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
AS OF SEPTEMBER 30, 2009

| | <u>2009</u> | <u>2008</u> |
|---|--------------|--------------|
| Operating Revenues: | | |
| Application and Processing Fees | 405,370 | 407,350 |
| Rental and Other Income | 345,645 | 377,909 |
| Other | 32,275 | 32,624 |
| | <hr/> | <hr/> |
| Total Operating Revenue | 783,290 | 817,883 |
| | <hr/> | <hr/> |
| Operating Expenses | | |
| Salaries and Benefits | 3,069,484 | 2,853,437 |
| Occupancy | 283,779 | 282,301 |
| Advertising | 195,431 | 92,137 |
| Professional Services | 316,955 | 998,182 |
| Travel and Per Diem | 201,992 | 207,888 |
| Other Administrative | 732,910 | 635,680 |
| Depreciation and Amortization | 645,050 | 497,186 |
| Uncollectible Accounts Expense | -- | 51,013 |
| | <hr/> | <hr/> |
| Total Operating Expenses | 5,445,601 | 5,617,824 |
| | <hr/> | <hr/> |
| Operating Loss | (4,662,311) | (4,799,941) |
| | <hr/> | <hr/> |
| Non-Operating Revenues (Expenses): | | |
| Other | 35,898 | (137,400) |
| Interest Income | 190,801 | 256,995 |
| Finance Charges | (3,942) | |
| | <hr/> | <hr/> |
| Total Non-Operating Revenues (Expenses) | 222,757 | 119,595 |
| | <hr/> | <hr/> |
| Net Income (Loss) Before Transfers | | |
| Transfers | 4,511,329 | 3,875,911 |
| | <hr/> | <hr/> |
| Change in Net Assets | (71,775) | (804,435) |
| | <hr/> | <hr/> |
| Net Assets Beginning of Year | 2,651,765 | 3,456,200 |
| | <hr/> | <hr/> |
| Net Assets End of Year | \$ 2,723,540 | \$ 2,651,765 |
| | <hr/> | <hr/> |

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
AS OF SEPTEMBER 30, 2009

| | 2009 | 2008 |
|--|------------------|------------------|
| Cash Flow from Operating Activities | | |
| Increase (Decrease) in Net Assets | \$ (4,439,554) | \$(4,680,346) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operations: | | |
| Depreciation | 645,050 | 497,186 |
| Increases (Decreases) in Operating Assets: | | |
| Accounts Receivable | (42,610) | 208,985 |
| Prepaid and Other Deposits | (28,325) | (9,943) |
| Loans Receivable | (1,220,131) | (405,490) |
| Other Current Assets | (197,221) | (70,951) |
| Increases (Decreases) in Operating Liabilities: | | |
| Accounts Payable | (481,592) | (126,398) |
| Interest Payable | | |
| Accrued & Other Liabilities | 43,746 | (33,287) |
| Trust Fund Scholarships | 91,109 | (68,194) |
| Tenant Security Deposits | 0 | (6,330) |
| Inter-fund Obligations | 194,700 | 91,960 |
| Department of Agriculture Trust Fund | 630,000 | |
| Compensated Absences | 41,566 | 29,451 |
| Economic Tour Bus Loan | 1,000,000 | |
| Net Cash Used By Operating Activities | (3,763,262) | (4,573,357) |
| Cash Flows from Financing Activities | | |
| Micro Loan Payable | 0 | 19,318 |
| Debt & Other Obligations | (62,885) | (30,262) |
| Contribution from VI Government | 4,511,329 | 3,875,911 |
| Cash Flow from Investing Activities | | |
| Investments | (381,945) | (743,934) |
| Capital Assets Transactions-Net | (965,258) | (414,942) |
| Loan Guaranty | | |
| Net Increase in Cash and Cash Equivalent | (662,021) | (1,867,266) |
| Cash and Cash Equivalent, Beginning of Year | 5,529,286 | 7,396,552 |
| Cash and Cash Equivalent, End of Year | 4,867,265 | 5,529,286 |

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Virgin Islands Economic Development Authority (the “Authority”) was created on December 21, 2000, as an umbrella authority to assume, integrate and unify the functions of the Government Development Bank, the Economic Development Commission, the Industrial Park Development Corporation and the Small Business Development Agency under an executive board, which consists of seven members appointed by the Governor. The Authority is a public corporation and a semi-autonomous instrumentality of the Government of the Virgin Islands and operates under the provisions of Act No. 6390, approved by the Twenty-Third Legislature of the United States Virgin Islands. The general purposes and functions of the Authority were previously carried out by the Government Development Bank for the United States Virgin Islands which was created originally in 1978 by Act No. 902, and subsequently amended in 1995 and 1996.

The mission of the Authority is to accelerate the economic development of the Virgin Islands by providing financial and technical assistance to industrial commercial enterprises to create and save jobs in the community. In this regard, the Authority is authorized, among other things, to make loans to eligible small business enterprises.

The Authority’s sustainability depends primarily on appropriations from the Government of the Virgin Islands. In addition, it earns income from application fees, processing fees, compliance fees, and rental income from its Industrial Park facilities. During fiscal year ended September 30, 2009, the Authority received appropriations totaling \$4,511,329 from the Government of the Virgin Islands, together with another \$1,011,000 of revenue earned from its various revenue-generating and other related activities.

Basis of Presentation: The Authority’s financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Authority uses the economic resources measurement focus and follows the accrual basis of accounting.

In accordance with the provisions of Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority applies only Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November, 1989, unless those pronouncements conflict with GASB pronouncements.

The Authority distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority’s principal ongoing business operations. Operating expenses include costs and losses resulting from services, administrative expenses, and depreciation expenses. All other revenues and expenses are reported as non-operating revenues and expenses.

The accounts of the Authority are organized on the basis of funds, each of which is considered to be a separate accounting entity. All transactions are recorded in a separate set of self-balancing accounts, which include assets, liabilities, fund net assets, revenues and expenses.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year ended September 30, 2009, the Authority maintained eight (8) major funds, or activities from which all financial transactions were processed.

Following is a summary of the nature of these funds:

- **Government Development Bank Fund (GDB)** accounts for the locally funded Micro Loan Program. This fund accounts for interest income from the operating account and certificate of deposit, local government appropriations made to the Authority, and administrative costs.
- **Small Business Development Agency (SBDA)** accounts for the Federal Economic Development Administration Loan Funds from the U.S. Department of Agriculture and for the local loans of Farmers and Fishermen, Frederiksted Revolving Loan Fund and the SBDA Direct Loan Fund. Appropriations from the central government and administrative costs are also accounted for under this fund. The SBDA legislation does not allow interest earned from its loan portfolio to be used for administrative purposes. The interest income is restricted and is used for issuing new loans.
- **Economic Development Commission Fund (EDC)** accounts for application, activation and annual compliance fees. Local government appropriations are also accounted for in this account together with related administrative costs.
- **Industrial Park Development Corporation Fund (IPDC)** accounts for the activities conducted by the IPDC. The IPDC was established in March 1984 to acquire, operate, and improve industrial parks in order to provide suitable sites for the location of industries to the Virgin Islands. The IPDC accounts for rental and investment income, and administrative costs associated with its operation. The IPDC does not receive any appropriations from the local government.
- **Intermediary Re-lending Program (IRP)** accounts for loans that are funded by the United States Department of Agriculture Rural Development Program. The interest income earned from these loans, are applied to the program's administrative costs.
- **Small Business Administration (SBA)** fund accounts for loans that are funded through U.S. Department of Agriculture.
- **Enterprise Zone Commission (EZC)** accounts for funds committed to the task of offering incentives to businesses that invest in severely economically depressed designated areas of St. Thomas and St. Croix, and as a result of which, employment opportunities are provided to residents of the areas so designated.
- **Tax Increment Financing (TIF)** was included as a distinct fund within the economic development activities during fiscal 2009, when the administration signed off on the first development project in the US Virgin Islands that will use Tax Increment Financing as a vehicle for funding. This process works by allowing projects to be financed by pledging the increases in tax revenues that can be reasonably anticipated to be collected by the government once the financed project or activity is completed.

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity – The Authority is a component unit of the Government of the United States Virgin Islands. The Authority is required to report information regarding its financial position and activities according to three classes of net assets.

Net Assets – Net assets comprise the various net earnings from operating and non-operating revenues, expenses and contribution of capital and are classified in the following three components:

Invested in capital assets, net of related debt – consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted net assets – consists of net assets for which constraints are placed thereon by external parties such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandate.

Unrestricted net assets – consists of all other net assets not included in the above categories.

Compensated Absences – Represents amounts set aside for accumulated vacation pay that employees earn during their period of employment. Upon termination, retirement or death, these employees will be compensated for certain amounts at their current rate of pay.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment – It is the policy of the Authority to capitalize property and equipment at cost at the time of acquisition. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. In the absence of donor stipulations regarding how long those donated assets must be maintained, the Authority reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Authority would reclassify temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated economic lives.

The estimated economic lives of the Authority’s property and equipment varied as follows:

| | |
|--------------------------------------|------------|
| Equipment | 3-5 years |
| Furniture and Fixtures | 3-5 years |
| Vehicles | 5 years |
| Buildings and Leasehold Improvements | 5-27 years |

Use of Estimates – The preparation of financial statements in conformity with generally accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments – Investments in marketable securities or other short-term investments of cash with readily determinable fair values, and all investments in debt securities are reported at their fair values in the Authority’s statement of net assets.

Loans Receivable – These amounts are reported at their unpaid principal balances, net of the allowance for loan losses. The loans bear interest ranging from 4 percent to 12 percent.

Allowance for Uncollectible Accounts – The Authority provides for losses when a specific need for an allowance is indicated. The provision for loan losses charged to operating expenses is the amount necessary to report the net asset at its estimated realizable value in accordance with accounting’s conservatism principle in regards to asset valuation. In determining the adequacy of the allowance, management considers the composition of the loan portfolio, economic factors, historical loss experience, and value and sufficiency of collateral in the current level of the allowance.

Cash and Cash Equivalents – All cash and all highly liquid investments available for current use with an initial maturity of three months or less are considered to be cash or cash equivalents.

NOTE 2 CONCENTRATION OF CREDIT RISK

Cash consists of cash on hand held by depository institutions and trustees in the Authority's name. During the fiscal year, including the final date of the period, September 30, 2009, accounts at each financial institution were insured by the Federal Deposit Insurance Corporation up to \$250,000. Cash in excess of \$250,000 maintained in accounts by depository institutions are collateralized.

NOTE 3 RESTRICTIONS ON NET ASSETS

The restricted net assets are funds transferred to the Authority from the Virgin Islands Department of Finance and various Revolving Loan Fund Balances.

The restricted cash at September 30, 2009, consisted of the following:

| | |
|---|---------------------|
| Frederiksted Revolving Loan Fund | \$ 47,517 |
| Micro Credit Loan Program | 649,140 |
| EDC for Advertising | 457,438 |
| EDC Scholarship Fund | 91,710 |
| Intermediary Relending Loan Program Reserve | 146,784 |
| Intermediary Revolving Fund | 86,078 |
| Farmers and Fishermen Loan Fund | 214,069 |
| GDB/Department of Agriculture | 330,000 |
| Economic Development Tour Bus Fund | 59,758 |
| EDC Workforce Development Fund | 49,542 |
| SBDA Revolving Loan Fund | 70,181 |
| SBDA Administration Loan Fund I | 268,074 |
| SBDA Administration Loan Fund II | <u>89,481</u> |
| | <u>\$ 2,559,772</u> |

NOTE 4 LOANS RECEIVABLE

The net loans receivable totaling \$4,198,017 as of September 30, 2009, represent outstanding loans from borrowers in the amount of \$10,253,303 net of an allowance for doubtful accounts of \$6,055,286. This represents a 59.1percent of total loan portfolio that is estimated to be uncollectible based on available information; however these figures include the old inactive SBDA loans which were assumed by the EDA at its creation. During fiscal year ended September 30, 2009, there was a net increase of \$1,220,131 in total loans outstanding, and a related net decrease in the estimated provision for uncollectible accounts of \$87,542. As a result, the percentage of the estimated allowance provision to the total of all loans receivable reduced from 72.4 percent in fiscal 2007 to 67.4 percent in fiscal 2008 to 59.1 percent in fiscal 2009. The supplemental financial information included on pages 19 to 22 of this report clearly indicates that the 59.1 percent includes a high of 87.14 percent provision for the old inactive SBDA loans to a low of 5% to the more current loans under the management of the Government Development Bank fund.

NOTE 5 ACCOUNTS RECEIVABLE

The net accounts receivable totaling \$272,633 at September 30, 2009, includes outstanding gross rent receivable of \$375,494 related to the Industrial Park with an accompanying estimated provision for uncollectible accounts of \$334,764 representing a net of \$40,730, and a total receivable relating to EDC fees and other charges in the amount of \$286,808 with a related allowance of \$84,920 for a net of \$201,888 in addition to a current account

receivable relating to the Tax Increment Financing fund of \$30,015(no allowance). The combined allowance percentage is 60.6 with a 29.6 percentage attributed to EDC operations and an 89.2 percent attributed to the Industrial Park's operations.

NOTE 6 CAPITAL ASSETS/PROPERTY AND EQUIPMENT

As of September 30, 2009, capital assets are as follows:

| | Beginning Balance | Additions | Disposals | Ending Balance |
|--|------------------------------|-------------------|-------------------|---------------------------|
| Building Improvements | \$9,145,658 | \$ 15,600 | \$ | \$ 9,161,258 |
| Leasehold Improvements | 428,846 | | | 428,846 |
| Equipment | 549,212 | 62,383 | | 611,595 |
| Furniture and Fixtures | 299,793 | | | 299,793 |
| Vehicles | 247,743 | 887,275 | | 1,135,018 |
| Leasehold Equipment | <u>20,585</u> | <u> </u> | <u> </u> | <u>20,585</u> |
| Totals | 10,691,837 | 965,258 | \$ - | \$ 11,657,095 |
| Less: Accumulated Depreciation and Amortization | <u>(7,271,898)</u> | <u>(645,050)</u> | <u>-</u> | <u>(7,916,948)</u> |
| Capital Assets, net | <u>3,419,939</u> | <u>320,208</u> | <u>-</u> | <u>\$ 3,740,147</u> |

The related depreciation expense for the year ended September 30, 2009, totaled \$645,050.

NOTE 7 ACCRUED AND OTHER LIABILITIES

Accrued and Other Liabilities were distributed between the divisions of the Virgin Islands Economic Development Authority as follows:

| | |
|---|--------------|
| Government Development Bank | \$ 15,750 |
| Economic Development Commission | 15,750 |
| Small Business Development Agency | 6,750 |
| Industrial Park Development Corporation | 4,500 |
| Enterprise Zone Commission | <u>2,250</u> |
| Total | \$ 45,000 |

NOTE 8 REVOLVING LOAN FUNDS

The Revolving Loan Funds included the various revolving loan funds of the Small Business Development Agency, most of which are delinquent for several years. The figure also includes the Farmers and Fishermen revolving funds, the Frederiksted Revolving Loan Fund, and the SBDA Administration Loan Funds. These funds are part of the total loan portfolio of the Economic Development Authority since they were assumed by the EDA at its creation. The micro loan funds administered by the Government Development Bank are also included in this general classification.

NOTE 9 LONG-TERM DEBT

The Authority entered into an Intermediary Relending Program loan agreement (IRP) with the United States Department of Agriculture Rural Business Cooperative Services on April 21, 1998. This agreement requires the repayment of the approved loan principal of \$670,530 to begin after three (3) years in twenty-seven (27) equal annual installments. An interest rate of 1% accrues on the outstanding balance. As of September 30, 2009, the balance of the debt due to the USDA IRP was \$487,986.

Also, the Industrial Park Development Corporation through the Virgin Islands Economic Development Authority issued a note in the amount of \$350,000, on May 22, 2002, with an interest rate of 8% to Blak Corporation. The note is to be repaid in 120 equal monthly installments of \$4,246. At September 30, 2009, the outstanding principal balance on the note was \$122,005.

NOTE 10 RETIREMENT PLAN

The Government Employees Retirement System of the Virgin Islands (GERS) is a cost sharing, multiple employer public employee retirement system, established by the Government of the Virgin Islands to provide retirement, death and disability benefits to its employees. The Authority's part-time employees who at the time of employment are under age 55 years with one year of government service are eligible to participate in the system. The Authority's required contribution for the fiscal year ended September 30, 2009, was 17.5% of the members' annual salary. Member contributions were 8% of annual salary for the fiscal year 2009. The Authority's contribution to the retirement plan over the past three fiscal years was \$351,302 in fiscal year 2009, \$288,320 in fiscal year 2008, and \$204,962 in fiscal year 2007.

COMMITMENTS AND CONTINGENCIES

Operating Leases:

Office Lease:

The Authority leases office space on a month to month basis in the amount of \$17,568 per month.

Land Lease:

The Industrial Park buildings are located on parcels of leased land. The land is rented under a 30 year term lease which expires on May 2013. Two additional ten-year option periods are available to the Park with the rental amounts based upon the Bureau of Labor Statistics' Consumer Price Index. Rent expense for the year ending September 30, 2008, was \$30,586. At September 30, 2009, minimum lease payments at September 30, for each of the remaining four succeeding fiscal years of the original term of the lease, are as follows:

| | | |
|-------|--------|------------|
| 2010 | 30,586 | |
| 2011 | 30,586 | |
| 2012 | 30,586 | |
| 2013 | 30,586 | |
| Total | | \$ 122,344 |

Contingencies:

In the normal course of business, the Authority has various outstanding commitments at September 30, 2009, which includes outstanding loan commitments in the process of being approved by the Board of Directors and which are not reflected on the statement of net assets. The Authority asserts that there has not been any material claims, suits or complaints filed nor is there any pending against the Authority. In the opinion of management, all other matters, which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations if they were disposed of unfavorably.

SUPPLEMENTARY INFORMATION

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
 COMBINED STATEMENTS OF NET ASSETS
 AS OF SEPTEMBER 30, 2009

| | GDB | EDC | SBDA | IPDC | IRP | EZC | SBA | TIF | TOTAL |
|---|-------------------|------------------|------------------|------------------|----------------|--------------|----------------|----------------|-------------------|
| ASSETS | | | | | | | | | |
| Current Assets: | | | | | | | | | |
| Cash and Cash Equivalents | 1,415,221 | 230,857 | 242,214 | 189,216 | | | | 229,985 | 2,307,493 |
| Cash - Restricted | 942,930 | 598,689 | 427,736 | | 232,862 | | 357,555 | | 2,559,772 |
| Current Investments | | | 252,639 | 278,298 | | | 0 | | 530,937 |
| Accounts Receivable | | 286,808 | | 375,494 | | | | 30,015 | 692,317 |
| Less: Allowance for uncollectible Accts | | (84,920) | | (334,764) | | | | | (419,684) |
| Due from Other Fund | 270,871 | 875 | 8,346 | 48,176 | | | | | 328,268 |
| Prepaid, Advances and Other Deposit | 113,863 | 7,162 | 2,321 | 4,000 | | | | | 127,346 |
| Total Current Assets | 2,742,885 | 1,039,471 | 933,256 | 560,420 | 232,862 | 0 | 357,555 | 260,000 | 6,126,449 |
| Noncurrent Assets: | | | | | | | | | |
| Loan receivable | 3,146,188 | | 5,853,620 | | 534,175 | | 719,320 | | 10,253,303 |
| Less: Allowance for uncollectible Loans | (128,161) | | (5,100,693) | | (367,729) | | (458,703) | | (6,055,286) |
| Investment | 3,609,231 | | | | | | | | 3,609,231 |
| Loan Guaranty | | | 45,603 | | | | | | 45,603 |
| Total Noncurrent Assets | 6,627,258 | 0 | 798,530 | 0 | 166,446 | 0 | 260,617 | 0 | 7,852,851 |
| Capital Assets, Net | 1,107,408 | 40,917 | 161,816 | 2,428,420 | | 1,586 | | | 3,740,147 |
| Total Assets | 10,477,551 | 1,080,388 | 1,893,602 | 2,988,840 | 399,308 | 1,586 | 618,172 | 260,000 | 17,719,447 |

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
 COMBINED STATEMENTS OF NET ASSETS
 AS OF SEPTEMBER 30, 2009

| | GDB | EDC | SBDA | IPDC | IRP | EZC | SBA | TIF | TOTAL |
|---|------------------|----------------|--------------------|------------------|-----------------|-----------------|------------------|----------------|-------------------|
| LIABILITIES | | | | | | | | | |
| Current Liabilities: | | | | | | | | | |
| Accounts Payable | 2,235 | 8,316 | | 4,042 | - | | | | 14,593 |
| Accrued Liabilities | 52,573 | 15,750 | 8,673 | 4,500 | - | 2,250 | | | 83,746 |
| Compensated Absences | 56,149 | 103,456 | 46,656 | 27,822 | - | 27,908 | | | 261,991 |
| Interest Payable Loan Fund | 18,245 | | 354,846 | | | | 81,675 | | 454,766 |
| Due to Other Fund | 533 | 899 | 21,009 | 57,792 | - | | | 213,954 | 294,187 |
| Trust Fund - Scholarships | | 205,877 | | | | | | | 205,877 |
| Total Current Liabilities | 129,735 | 334,298 | 431,184 | 94,156 | - | 30,158 | 81,675 | 213,954 | 1,315,160 |
| Non-Current Liabilities: | | | | | | | | | |
| Tenant Security Deposits | | | | | | | | | |
| Due to Other Fund | | | | 34,404 | | | 469,943 | | 34,404 |
| Micro Loan Payable | 3,257,800 | | 213,569 | | | | | | 683,512 |
| Revolving Loan Fund | | | 5,981,725 | | | | 631,417 | | 3,257,800 |
| Economic Tour Bus Loan | 1,000,000 | | | | | | | | 6,613,142 |
| Dept. of Agriculture Trust Fund | 630,000 | | | | | | | | 1,000,000 |
| Long-Term Debt and Obligation | | | 851,898 | 122,005 | 487,986 | | | | 630,000 |
| Total Non-Current Liabilities | 4,887,800 | - | 7,047,192 | 156,409 | 487,986 | | 1,101,360 | | 13,680,747 |
| Total Liabilities | 5,017,535 | 334,298 | 7,478,376 | 250,565 | 487,986 | 30,158 | 1,183,035 | 213,954 | 14,995,907 |
| NET ASSETS | | | | | | | | | |
| Net Assets: | | | | | | | | | |
| Invested in Capital Assets, Net of Rela Restricted | 1,107,408 | 40,917 | 161,816 | 2,428,420 | | 1,586 | | | 3,740,147 |
| Loans | 3,018,027 | | 725,172 | | 399,308 | | | | 4,142,507 |
| Scholarships | | 205,877 | | | | | | | 205,877 |
| Unrestricted | 1,430,549 | 499,296 | (5,011,623) | 309,855 | (487,986) | (28,572) | (564,863) | 46,046 | (3,807,298) |
| Total Net Assets | 5,555,984 | 746,090 | (5,680,742) | 2,738,275 | (88,678) | (28,572) | (564,863) | 46,046 | 2,723,540 |

VIRGIN ISLANDS ECONOMIC DEVELOPMENT AUTHORITY
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 AS OF SEPTEMBER 30, 2009

| | GBD | EDC | SBDA | IPDC | IRP | EZC | SBA | TIF | TOTAL |
|---|--------------|-------------|----------------|--------------|-------------|-------------|--------------|-----------|-----------------|
| Operating Revenues: | | | | | | | | | |
| Application and Processing Fees | 0 | \$ 348,500 | 6,870 | | | | | 50,000 | 405,370 |
| Rental Income | | | | 345,645 | | | | | 345,645 |
| Dividend Income | | | | | | | | | 0 |
| Other | | | | 32,275 | | | | | 32,275 |
| Total Operating Revenue | 0 | 348,500 | 6,870 | 377,920 | | | | 50,000 | 783,290 |
| Operating Expenses | | | | | | | | | |
| Salaries and Benefits | 904,617 | 1,092,149 | 446,211 | 283,892 | 26,425 | 316,190 | | | 3,069,484 |
| Occupancy | 141,027 | 64,940 | 46,984 | 30,586 | | 242 | | | 283,779 |
| Advertising | 22,512 | 171,977 | 942 | 0 | | | | | 195,431 |
| Professional Services | 71,442 | 183,107 | 49,434 | 6,664 | 0 | 3,180 | | 3,128 | 316,955 |
| Travel and Per Deim | 60,316 | 121,330 | 9,231 | 10,308 | | | | 807 | 201,992 |
| Other Administrative | 386,051 | 125,123 | 59,863 | 154,664 | 5 | 7,185 | | 19 | 732,910 |
| Depreciation and Amortization | 180,962 | 29,250 | 22,470 | 411,353 | | 1,015 | | | 645,050 |
| Bad Debt Expense | 0 | | 0 | 0 | | | | | |
| Total Operating Expenses | 1,766,927 | 1,787,876 | 635,135 | 897,467 | 26,430 | 327,812 | | 3,954 | 5,445,601 |
| Operating Loss | (1,766,927) | (1,439,376) | (628,265) | (519,547) | (26,430) | (327,812) | | 46,046 | (4,662,311) |
| Non-Operating Revenues (Expenses): | | | | | | | | | |
| Other | 12,343 | 22,052 | | | 1,503 | | | | 234,045 |
| Interest Income | 157,217 | | 0 | 5,159 | 28,425 | | | | 190,801 |
| Interest Expense | | | | 1,104 | (5,046) | | | | (3,942) |
| Total Non-Operating Revenues (Exp) | 169,560 | 22,052 | 0 | 6,263 | 24,882 | | | | 222,757 |
| Net Income (Loss) Before Transfers | | | | | | | | | |
| Transfers | 2,541,600 | 1,145,685 | 464,816 | | 28,248 | 330,980 | | | 4,511,329 |
| Change in Net Assets | 944,233 | -271,639 | (163,449) | (513,284) | 26,700 | 3,168 | | 46,046 | 71,775 |
| Net Assets Beginning of Year | 4,611,751 | 1,017,729 | (5,517,293) | 3,251,559 | (115,378) | (31,740) | (564,863) | - | 2,651,765 |
| Net Assets End of Year | \$ 5,555,984 | \$ 746,090 | \$ (5,680,742) | \$ 2,738,275 | \$ (88,678) | \$ (28,572) | \$ (564,863) | \$ 46,046 | \$ 2,723,540.00 |





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