



January 31, 2014

Mrs. Cecile deJongh
Office Manager
Financial Trust Company, Inc.
6100 Red Hook Quarter B3
St. Thomas, VI 00802

Re: Financial Trust Company, Inc.

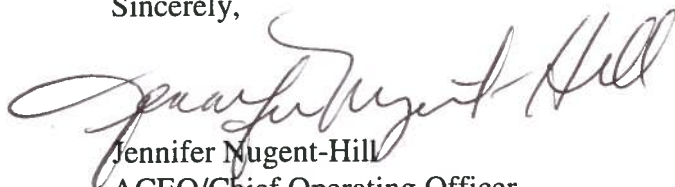
Dear Mrs. deJongh,

A compliance review has been completed on Financial Trust Company, Inc. Enclosed for your review and commentary is the compliance report which covers the period January 1, 2007 to December 31, 2008. The company was found out of compliance with the procurement requirements.

Please provide a response to this compliance report within thirty (30) working days of receipt of this correspondence. You may request an extension of time to file your response by submitting a formal notice. If we do not receive a response from you by this date, we will conclude that you are in agreement with the findings of this report.

Should you have additional questions concerning this matter, please do not hesitate to contact Stephanie Berry, Director of Compliance at 340-773-6499.

Sincerely,



Jennifer Nugent-Hill
ACEO/Chief Operating Officer

cc: Percival Clouden, Chief Executive Officer
Tracy Lynch Bhola, Legal Counsel
Stephanie J. Berry, Director of Compliance
Sandra Bess, CCP Compliance Officer
Erika Kellerhals, Legal Counsel for FTC

**CONFIDENTIAL COMPLIANCE REPORT
FINANCIAL TRUST COMPANY, INC. (INACTIVE)
As of December 31, 2008**

SUMMARY HIGHLIGHT:

- Financial Trust Company, Inc. received nine (9) years of tax benefits.
- A compliance review was completed on April 17, 2008, covering the period of April 1, 1999 through December 31, 2006. This review covers the period January 1, 2007 to December 31, 2008.
- The Beneficiary met the capital investment of \$300,000 as of December 31, 1999.
- Capital Expenditures from 2007 to 2008 were \$76,806 of which 42% (\$39,634) was procured locally.
- Goods and Services from 2007 to 2008 were \$1,404,021 of which 69% (\$965,657) was procured locally.
- The Beneficiary met its employment requirement of 11 full-time employees.
- The Beneficiary met its residency requirement.
- The Beneficiary met the 20% management, supervisory and/or technical requirement.
- The Beneficiary met the requirements of Special Conditions one through five.
- The Beneficiary did not comply with the requirements of the procurement process.
- The Beneficiary met the reporting requirements.



COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

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

HISTORY:

On November 6, 1998, Financial Trust Company, Inc. filed Articles of Incorporation with the Office of the Lieutenant Governor. Then on November 30, 1998 Financial Trust Company, Inc. obtained a Certificate of Incorporation authorizing them to conduct business in the Virgin Islands. On February 22, 1999, Financial Trust Company, Inc. completed an application to the Economic Development Commission “EDC”, and was approved for tax benefits by the Governor of the Virgin Islands on November 26, 1999. The Chairman of the EDC Board of Commissioners executed a certificate of benefits on March 21, 2000.

Financial Trust Company, Inc. was granted tax exemption benefits “to conduct the business of financial and economic consulting, money management, investment advisory and fiduciary services for its clients. Such clients include individuals, trusts, foundations and business entities,” excluding residents of the United States Virgin Islands. Benefits were granted for a period of ten (10) years commencing and terminating as follows:

	<u>COMMENCEMENT</u>	<u>TERMINATION</u>
Income Taxes	April 1, 1999	March 31, 2009
Gross Receipt Taxes	April 1, 1999	March 31, 2009
Excise Taxes (Raw Materials)	January 1, 2000	December 31, 2009
Excise Taxes (Equip., Mach.)	January 1, 2000	December 31, 2009
Dividend Withholdings	April 1, 1999	March 31, 2009
Interest Withholdings	April 1, 1999	March 31, 2009
Real Property Tax	January 1, 2000	December 31, 2009

The Beneficiary, Financial Trust Company, Inc. received nine (9) years of benefits.

INVESTMENT:

“The Beneficiary shall invest in this business in the Virgin Islands of the United States not less than the amount of U.S. \$300,000 excluding inventory, no later than one year from April 1, 1999.”

COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

FINDINGS:

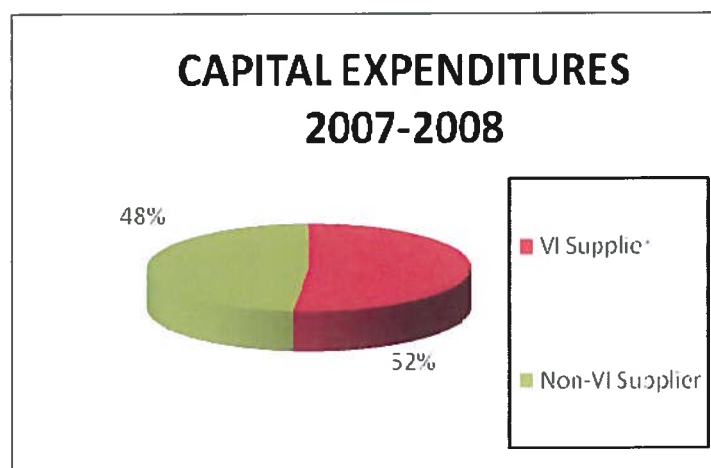
The investment requirement of \$300,000 was met as of December 31, 1999, which was reported by the previous compliance review. For the period covered in this review, the Beneficiary made additional capital investments totaling \$76,806.

CAPITAL EXPENDITURES:

YEAR	ELIGIBLE VI SUPPLIER	VI SUPPLIER	NON-VI SUPPLIER	TOTAL
2007	-0-	\$ 29,925	-0-	\$ 29,925
2008	-0-	9,709	\$ 37,172	46,881
TOTALS		\$ 39,634	\$ 37,172	\$ 76,806

FINDINGS:

From 2007 to 2008, a total of \$76,806 was procured in capital expenditures. Of the total expenditures reported, 52% (\$39,634) were purchases from Virgin Islands Suppliers for leasehold improvements, machinery, and equipment and 48% (\$37,172) from Non-Virgin Islands' suppliers for machinery/equipment and furniture and fixtures.



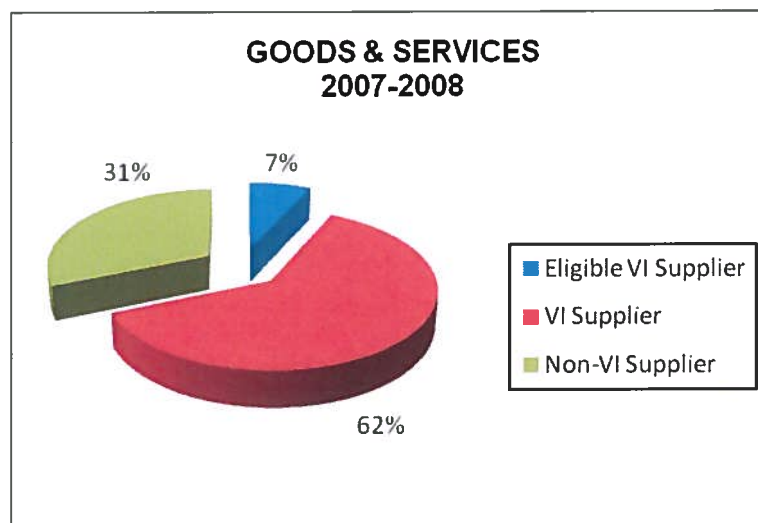
COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

GOODS AND SERVICES:

YEAR	ELIGIBLE VI SUPPLIER	VI SUPPLIER	NON-VI SUPPLIER	TOTAL
2007	\$ 39,764	\$ 446,126	\$ 101,038	\$ 586,928
2008	57,252	422,515	337,326	817,093
TOTAL	\$ 97,016	\$ 868,641	\$ 438,364	\$ 1,404,021

FINDINGS:

From 2007 to 2008, the reported total procured for goods and services was \$1,404,021. Purchases from Virgin Islands' suppliers totaled \$868,641 (62%) of which the majority was spent on rent, utilities, and supplies. Reported procurement from Non-Virgin Islands' suppliers was \$438,364 (31%), of which the majority was spent on legal and accounting services. The remaining \$97,016 (7%) was procured from Eligible suppliers, of which the majority was spent on legal and accounting services, supplies, and repairs and maintenance.



LOCAL PROCUREMENT:

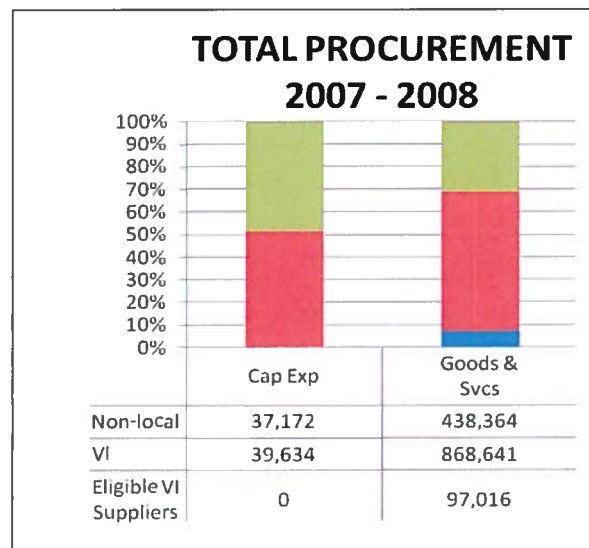
In accordance with Division 10 of the Economic Development Commission Rules and Regulations, the Beneficiary must comply with procurement procedures (Section 708-701 to 708-713).

FINDINGS:

For the period 2007-2008, the Beneficiary reported expending a total of \$1,480,827. There was a reported 61% (\$908,275) expended to Virgin Islands' Suppliers. Of these purchases, the majority was spent on rent, utilities, supplies, insurance, machinery & equipment, and leasehold improvements. There was also a reported 32% (\$475,536) made from Non-Virgin Islands Suppliers, of which the majority was spent on legal and accounting, machinery & equipment, and furniture & fixtures, and the remaining 7% (\$97,016) of expenditures were purchased from Eligible Virgin Islands Suppliers, the majority was spent on legal and accounting services, supplies, and repairs and maintenance.

In accordance with the EDC Rules and Regulations, Section 708-709 the Beneficiary was required to provide proof of solicitation for quotes on a competitive basis.

For the period covered in this report, the Beneficiary failed to provide proof of solicitation quotes for purchases of machinery and equipment.



COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

EMPLOYMENT:

“The Beneficiary shall employ, no later than one year from September 7, 1999 no less than eleven (11) persons on a full-time basis employees of which no less than 80% of all employees shall be “Residents of the Virgin Islands” as defined in Title 29, V.I. Code Section 703(e) and provided that not less than twenty percent (20%) shall be in the area of management, supervisory and/or technical positions filled by residents of the Virgin Islands. Pursuant to Title 29, Chapter 12, Section 710(a).”

In accordance with Section 710(a) Title 29, Chapter 12, VIC (Amended 2006), “after the third year of operation, a beneficiary shall be required to have at least 20% of its management, supervisory, and/or technical positions filled by residents of the United States Virgin Islands unless granted a waiver by the Commission.”

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

FINDINGS:

YEAR	TOTAL	AVERAGE FULL TIME	AVERAGE V.I. RES.	AVERAGE % V.I. Res.	AVERAGE MGMT.	20% V.I. MGMT
2007	11	11	11	96%	6	92%
2008	11	11	10	91%	5	83%

For the period January 1, 2007 to December 31, 2008, the Beneficiary reported employing an average of eleven (11) employees on a full-time basis, meeting the employment requirement of the certificate. The Beneficiary also met the residency, management, supervisory, and technical requirements for the period covered in this report.

SPECIAL CONDITIONS:

The following special conditions shall apply:

1. The Beneficiary shall provide all employees with health care insurance, funded by the Beneficiary.
 - For the years 2007 and 2008, the Beneficiary provided documentation for employer funded health, life, and dental insurance provided to ten full-time



COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

employees through United HealthCare Insurance Company. Noted and reviewed at site visit was one employee who opted out of this coverage as they had alternate insurance coverage.

United HealthCare Insurance Company is registered with the Lieutenant Governor's Office of Banking and Insurance.

The Beneficiary met the requirements of this special condition.

2. The Beneficiary shall provide all employees a qualified retirement plan funded by the Beneficiary.

- The Beneficiary provided documentation for an established American Funds Savings Incentive Match Plan for Employees ("SIMPLE") incorporated with an Individual Retirement Agreement (IRA). The plan was offered to all employees receiving at least \$5,000 in compensation. The Beneficiary made matching contributions equal to 100% of elective deferrals up to a limit of 3% per calendar year. For the period 2007 through 2008, nine employees participated in the Simple IRA Plan. Mr. Epstein, [REDACTED], and [REDACTED] opted out of the retirement plan.

The Beneficiary met the requirements of this special condition.

3. The Beneficiary shall provide employee training and tuition reimbursement program for eligible employees.

- The Beneficiary provided documentation for training in 2007 offered to employees for a two-day SkillPath Windows Server Workshop and Continuing Accounting Education courses through the VI Society of CPAs.
- The Beneficiary provided documentation for training in 2008 offered to employees for an Excel seminar and three (3) continuing education courses in accounting.

The Beneficiary met the requirements of this special condition.

4. The Beneficiary shall make annual contributions of \$50,000 or one percent (1%) of gross receipts tax exemption value, whichever is greater, to be distributed annually as follows:
 - (a) 50% to educational scholarships
 - (b) 25% for charity
 - (c) 25% for co-op marketing with EDC

COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

However, after issuance of its certificate, applicant shall prepay the first five (5) years of contribution fixed at \$50,000, or the sum of \$250,000, to be distributed as follows:

- (a) \$187,500 to a tax-exempt entity from which annual distributions of not less than \$25,000 to educational scholarship and \$12,500 to charity shall be made, and
- (b) \$62,500 for co-op marketing with IDC.

CERTIFICATE REQUIREMENT:

YEAR	GROSS RECEIPT	GROSS RECEIPT EXEMPTION	1% GROSS RECEIPT EXEMPTION VALUE	CONTRIBUTION REQUIREMENT PER CERTIFICATE	50% EDUCATIONAL SCHOLARSHIPS	25% CHARITY	25% CO-OP MARKETING - EDC
2007				50,000	25,000	12,500	12,500
2008		-	-	50,000	25,000	12,500	12,500
TOTAL CONTRIBUTION PER EDC CERTIFICATE				100,000	50,000	25,000	25,000

The Beneficiary provided documentation for contributions totaling \$469,980 made from January 2007 to December 2008. Of the total contributions, \$108,925 was made from Financial Trust Co., Inc. and \$361,055 from the J. Epstein Foundation. Contributions were made to charities, educational scholarships, educational symposiums (*other*), and Co-op Marketing to the EDC.

ACTUAL CONTRIBUTIONS: FINANCIAL TRUST CO., INC.

YEAR	TOTAL CONTRUBUTIONS	J. EPSTEIN FOUNDATION	EDUCATIONAL SCHOLARSHIPS	CHARITY	CO-OP MARKETING WITH EDC
2007	\$ 18,565	-	300	5,765	12,500
2008	90,360	37,500	12,500	27,860	12,500
	\$108,925	37,500	12,800	33,625	25,000

COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

- In 2007, the Beneficiary contributed a total of \$18,565. These contributions were made to Antilles School's scholarship fund and organizations such as Atlas Tours, Inc. and Charlotte Kimmelman Cancer Institute.
- In 2008, the Beneficiary contributed a total of \$90,360. These contributions were made to Antilles and Sts. Peter & Paul Catholic Schools, organizations and schools such as Friends of the St. Thomas Public Libraries, Ivanna Eudora Kean High School, VI Council on the Arts, Community Foundation of the VI, Boys and Girls Club of the VI, Inc., and United Way of St. Thomas-St. John.

In 2007, the Beneficiary did not contribute in accordance with the certificate's requirement in the areas of charitable contributions and educational scholarships. However, in 2008, additional contributions were made which exceeded the certificate's total requirement. The required contributions to educational scholarships were not met.

ACTUAL CONTRIBUTIONS: J. EPSTEIN FOUNDATION

YEAR	TOTAL CONTRIBUTIONS	EDUCATIONAL SCHOLARSHIPS	CHARITY	EDUCATIONAL SYMPOSIUMS	INELIGIBLE CONTRIBUTIONS
2007	\$ 218,542	20,650	152,500	45,392	-
2008	142,505	20,000	90,164	32,341	-
	\$ 361,047	40,650	242,664	77,733	-

The J. Epstein Foundation is a tax-exempt entity established by Financial Trust, Company Inc, primarily for making charitable contributions to the Virgin Islands community. Mr. Jeffrey Epstein, sole owner of Financial Trust Company Inc., personally funds the J. Epstein Foundation.

- In 2007, the J. Epstein Foundation made contributions totaling \$218,550. These contributions were made to The Junior Statesmen Foundation, Miss Virgin Islands Scholarship, and Antilles School. Charitable organizations such as the V.I. Tennis Association, Inc.,

Virgin Islands Missions, Inc., Friends of the St. Thomas Public Libraries, Caribbean PromoMart, Dakota Sports, the Close Up Foundation, United Way of St. Croix, Schneider Regional Medical Center, and the Family Resource Center, Inc.

- In 2008, the J. Epstein Foundation made contributions totaling \$142,505. These contributions were made to Miss Virgin Islands Scholarship and the Junior Statesman Foundation. Charitable

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COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

organizations and schools such as Antilles School, U.S. Customs & Border Protection Explorer, C.A.H.S. French Club, the Community Foundation of the Virgin Islands, Family Resource Center, and the V.I. Tennis Association.

During the period covered in this report, the J. Epstein Foundation made contributions totaling \$26,500 to the St Thomas-St. John Chamber of Commerce. This contribution was disqualified in accordance with the Internal Revenue Service code.

For the period covered in this report, total contribution made by Financial Trust Company, Inc. and the J. Epstein Foundation, exceeded the certificate's requirement.

The Beneficiary met the requirements of this special condition.

5. The Beneficiary shall utilize the services of resident licensed broker dealers whenever possible, given market conditions.

- The Beneficiary provided documentation showing Seslia Securities, a FINRA registered broker was utilized as a Broker of Record for their Savings Incentive Match Plan.

The Beneficiary met the requirements of this special condition.

REPORTING REQUIREMENTS:

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

FINDING:

The Beneficiary filed all reports within the filing deadlines.



COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

FINANCIAL ANALYSIS REVIEW:

Financial Trust Company, Inc reported operating with an average loss of [REDACTED] for the period 2007 to 2008.

Years	Annual Net	Aggregate	% Change
2007	([REDACTED])	(\$ [REDACTED])	
2008	([REDACTED])	(\$ [REDACTED])	(513.38%)
Avg. Ordinary Income	([REDACTED])	(\$ [REDACTED])	

The Cost Benefit Analysis for 2007 to 2008 reflects a ratio of 1:66.75. For every \$100,000 in tax revenues forgone by the government during this time, the Virgin Islands of the United States received approximately \$6,680,000,000 in economic output across the local economy.

For every \$100,000 in tax revenues foregone by the territory, \$2,890,000 in total value added to the Gross Territorial Product (GTP). The Virgin Islands Economic Development Commission granted tax exemptions to the Beneficiary totaling [REDACTED] during 2007 to 2008.

This does not include the value of tax exemptions on personal income tax of Mr. Jeffrey Epstein.

OTHER FINDINGS:

At the time of application, Mr. Jeffrey Epstein was stated as the sole owner of Financial Trust Company, Inc.

By letter dated November 26, 2007, the Beneficiary notified the Division of Corporations and Trademarks that effective September 21, 2007 Mr. Darren Indyke assumed the position of Director/President of Financial Trust Company, Inc.

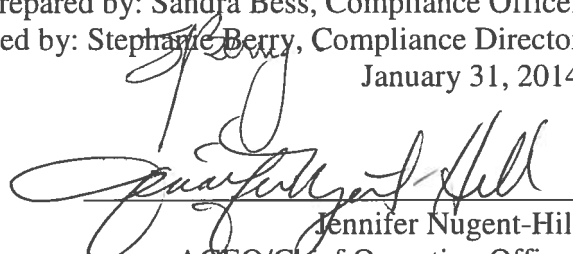


COMPLIANCE REPORT
Financial Trust Company, Inc.
As of December 31, 2008

CONCLUSION

1. Received nine years of benefits.
2. Met the investment requirement.
3. Met the full-time employment requirement.
4. Met the residency and management requirement.
5. Did not comply with the procurement requirements.
6. Complied with Special Condition one through five.
7. Complied with the reporting requirements of the EDC.

Prepared by: Sandra Bess, Compliance Officer
Reviewed by: Stephanie Berry, Compliance Director
January 31, 2014



Jennifer Nugent-Hill
ACEO/Chief Operating Officer