

Virgin Islands Economic Development Commission
Decision Meeting of Tuesday, June 7, 2022
Summary Report Out

During the Virgin Islands Economic Development Commission (“VIEDC”) Decision Meeting on Tuesday, June 7, 2022, the Governing Board heard recommendations from staff regarding two (2) application matters and two (2) compliance matters, and voted as follows:

Regular Session:

Action Items:

Applications:

1. Cinnamon Bay Resort, LLC – Petition for Extension of Time

Cinnamon Bay Resort, LLC d/b/a Cinnamon Bay Resort & Campground (“Cinnamon Bay”) was grant Virgin Islands Economic Development Commission tax incentives to own and operate a Category III - Campground/Recreational Business for its provision of the commercial services designated in the concession contract with the National Park Services for Cinnamon Bay and Trunk Bay, St. John, and a Category IV - Designated Service Business providing management, consulting and advisory services to clients located outside the U.S. Virgin Islands with a focus on clients within the hospitality sector.

On May 6, 2022, Cinnamon Bay submitted a petition requesting an extension of time to commence its tax incentives to November 1, 2022. Cinnamon Bay stated that following its acquisition in 2019, Cinnamon Bay commenced repair and reconstruction work on the Cinnamon Bay campground facilities. Work at the project site was delayed by the discovery of asbestos and its protracted removal and remediation process, as well as the impact of the global pandemic. Despite these setbacks, work on the project site continued and Cinnamon Bay was able to reopen the campground to the public in January 2022. Also on May 6, 2022, Cinnamon Bay submitted a letter to request the issuance of its certificate effective November 1, 2022. Cinnamon Bay is located on the island of St. John.

The Governing Board voted (5 – 0) to:

1. Find Cinnamon Bay Resort, LLC has shown good cause for a grant of additional time to commence its tax incentives due to the impact of the COVID-19 pandemic and continued work delays.
2. Grant Cinnamon Bay Resort, LLC a second extension of time to commence its tax incentives to November 1, 2022.
3. Issue a certificate of incentives to Cinnamon Bay Resort, LLC commencing on November 1, 2022 upon receipt of proof of obtaining the applicable business license(s) to operate a campground and to provide management, consulting and advisory services within the elected period.
4. Require Cinnamon Bay Resort, LLC’s tax incentives to be null and void should said incentives not commence on or before November 1, 2022.

5. Require all other terms and provisions of the grant of incentives delineated in the VIEDC's approval letter of May 30, 2018 to remain in full force and effect.

2. United Electronics Industries Services, LLC – Reconsideration

United Electronics Industries Services, LLC (“UEIS”) was granted Virgin Islands Economic Development Commission (“VIEDC”) tax incentive benefits to conduct the operation of a Category II - Manufacturing Business providing full service Surface Mount Technology and Through Hole Manufacturing and Rework & Engineering Change Order Implementation. Additionally, UEIS also operates a sales, marketing, and support and product servicing components for its clients. UEIS is located on the island of St. Thomas.

On March 15, 2021, UEIS submitted a modification application to the VIEDC for an additional 10 years of incentives in accordance with Title 29 VIC § 713a(d) such that its original Certificate is modified to reflect 20 years of incentives. UEIS requested that its eligible revenue streams include income derived from the design and development of intellectual property that is installed in its products for sale to third parties. On January 10, 2022 the VIEDC Governing Board voted to approve the modification application, and table its consideration to amend its approved business activities to include the design, development, and sale of intellectual property, regardless of whether that intellectual property is installed in its products for sale to third parties pending additional information. On March 10, 2022, the VIEDC Governing Board voted to deny an amendment of UEIS' approved business activities to include the design, development, and sale of intellectual property not installed in its products for sale to third parties.

On March 14, 2022, the UEIS submitted a petition for reconsideration of the board's action. On May 12, 2022 the VIEDC Governing Board voted to rehear UEIS's petition at the next VIEDC scheduled meeting, but no later than 45 days from the date of this decision pursuant to V.I.R.R. 717-404(b).

The Governing Board voted (5 – 0) to:

1. Affirm its March 10, 2022 decision to specifically exclude the sale of intellectual property not installed in United Electronic Industries Services, LLC's products to third parties.
2. Find the basis for the denial of incentives, in accordance with V.I. CODE ANN. tit. 29, § 716(b), as follows:
 - a. Category IV - Designated Services Businesses pursuant to 29 V.I.C. § 703(g) contemplates that the intellectual property will be developed or engineered in the U.S. Virgin Islands and not by third parties. The mere sourcing of the gain to the residence of the seller in the U.S. Virgin Islands on the sale of intellectual property not developed in the Territory is inconsistent with applicable law.
 - b. VIEDC maintains that there will be no increase in fiscal or economic impact to the Territory should the sale of intellectual property be included in the grant of incentives.

Compliance:

1. 183 Media, LLC – Suspension of Tax Incentive Certificate

On April 30, 2014, 183 Media, LLC (“183 Media”) was granted Virgin Islands Economic Development Commission (“VIEDC”) tax incentives to conduct the business of operating a Category IIA - Designated Service Business, providing business and management consulting services. 183 Media provides advice with regards to

manufacturing, customer service, distribution, fulfillment, inventory, marketing, and payment processing to its clients located outside the U.S. Virgin Islands. 183 Media is located on the island on St. Thomas.

On April 26, 2022, VIEDC received a request to amend 183 Media's January 14, 2022 petition as follows: (i.) A suspension of 183 Media's Certificate effective January 1, 2019 to December 31, 2021; and (ii.) A full-time employment waiver from eight (8) full-time employees to five (5) full-time employees effective January 1, 2022 to December 31, 2022.

The Governing Board voted (5 – 0) to:

1. Grant 183 Media, LLC a voluntary suspension effective January 1, 2019 to December 31, 2021 conditioned upon the following:
 - a. 183 Media, LLC shall repay all applicable taxes taken in incentives under its Certificate of Tax Incentives for the period January 1, 2019 to December 31, 2021 to the respective agencies including, but not limited to the Virgin Islands Bureau of Internal Revenue;
 - b. 183 Media, LLC shall provide copies of income tax returns and gross receipts returns (Form 720) for 2019 to 2021; and
 - c. 183 Media, LLC shall provide tax clearance letters and/or proof of payment(s) within 10 business days of receipt of the VIEDC Governing Board's decision.
2. Require 183 Media, LLC to adhere to its Certificate of Tax Incentives requirements for the periods not included in the suspension period.
3. Require an Order to Show Cause why its VIEDC Certificate of Tax Incentives should not be summarily revoked shall be issued pursuant to 29 V.I.C. § 7223 if 183 Media, LLC does not comply with recommendations.

2. Southern Trust Company, Inc. – Acceptance of Payment and Termination of Tax Incentives

On February 24, 2022, the Governing Board of the Virgin Islands Economic Development Commission ("VIEDC") required Southern Trust Company, Inc. ("Southern Trust") to: (a) pay \$1,000.00 to the Industrial Promotion Fund for failure to substantiate that Southern Trust contributed 100% to the medical, dental, and life insurance coverage of its employees as required by Special Condition Nos. 4 and 5, (b) \$500.000 to the Industrial Promotion Fund for failure to provide documentation substantiating compliance with Special Condition No. 10 (additional leave), and (c) \$500.00 to the Industrial Promotion Fund for failure to provide documentation substantiating compliance with Special Condition No. 12 (contractor's insurance) for the period January 1, 2018 to December 31, 2018. The Governing Board required proof of compliance within 30 days of its decision.

On May 18, 2022, payment in the amount of \$2,000.00 was received by the VIEDC by check #001234 dated May 13, 2022.

The Governing Board voted (5 – 0) to:

1. Accept the payment of Two Thousand Dollars (\$2,000.00) via Check No. 001234 dated May 12, 2022 by Southern Trust Company Inc. in satisfaction of its payment obligations despite not having been paid timely in accordance with the 30-day period set by the Governing Board at the February 24, 2022 Decision Meeting.
2. Require an Order to Show Cause not be issued.

3. Grant Southern Trust Company, Inc.'s December 11, 2019 request for voluntary termination of its certificate of tax incentives effective December 31, 2018.