



RT Park
UNIVERSITY OF THE VIRGIN ISLANDS

UVI Research and Technology Park (UVI RTPark)

RTPark Program Brief: Guide to Doing Business with the Agency

September 2018



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Introduction

The University of the Virgin Islands Research and Technology Park (RTPark) is a specialized economic development program that is designed to bring investment to the United States Virgin Islands by managing an incentive program and offering other advisory and technical services. It is a partnership between the private sector, the government of the US Virgin Islands and the University of the Virgin Islands (UVI). The goal of the RTPark program is to successfully establish the U.S. Virgin Islands as a premier business destination of choice for firms in knowledge- and technology-intensive sectors.

The RTPark program was established in 2002 and successfully attracted its first commercial client in 2006. The RTPark program headquarters is located on the island of St Croix. Companies entering the program can set up operations anywhere in the US Virgin Islands, and they benefit from access to Tier 1 Internet connectivity made possible by the undersea cables on the Northwest tip of St Croix. There are reliable, first-rate data storage and data management facilities in the CenturyLink/Level 3 data center. Fast, effective, affordable, best-in-class broadband communications services, as well as high-quality data storage and hosting facilities, contribute to make the US Virgin Islands a very attractive destination for technology- and knowledge-based firms. The program has enjoyed a period of rapid growth, almost doubling in size since 2015. In September 2018, there are fifty-nine (59) active or in process clients in the program, with operations in all three islands.

Strategy

The core value proposition of the UVI RTPark program for potential investors is threefold: an attractive tax incentive program; enjoying the lifestyle of an island paradise; and the opportunity to contribute to improving the quality of life in a community small enough for the activities of a single firm to make a difference. Under the provisions of the Internal Revenue and the US Virgin Islands statutes that created the RTPark program, companies that are approved for benefits under the program are entitled to a number of benefits including up to a 90 per cent reduction in income tax liability for qualifying income, as well as reductions or exemptions in other taxes. The RTPark program presents the US Virgin Islands as an investment destination that provides access to affordable, reliable, world-class technological infrastructure; a sound legal framework that is favorable to inward investment; and impeccable governance systems that are business friendly. This value proposition is particularly appealing to impact investors who are concerned with financial returns and making contributions to sustainable human development.

The RTPark HQ has instituted a targeted and highly intelligent business development program designed for future growth and dynamism. This effort has identified under-explored sectors in areas where needs are plentiful and potential for disruption is great. Investment projects that are focused on quality are screened for their likelihood of fit with the US Virgin Islands.

New targeted clusters and sectors include:

- **Health and medicine**, including medicinal devices, personalized medicine applications, wellness and healthcare management
- **Energy research and system deployment**, including renewable and clean technology systems, energy efficiency solutions, and energy management
- **Marine science-related products, devices and services**
- **Sustainability solutions and systems.**

The RTPark HQ is keen to attract knowledge-based investors in these new clusters and to expand its client base in its existing areas of strength which include:

- **Telecommunications and information technology**
- **Applications service provision**
- **Internet advertising**
- **Software development**
- **Software-as-a service**
- **E-commerce**
- **Interactive media management**
- **Content development and**
- **Data hosting and data management.**

Clients of the RTPark program are required to make legally binding commitments to UVI. Clients support the university in a number of ways including: student engagement (internships, fellowships and volunteering); student scholarships; faculty engagement through joint research projects or curriculum advice; special projects; advice and operational assistance to UVI; gifts and endorsements; distinguished lectures; knowledge exchanges and employment programs for US Virgin Islands residents and UVI graduates. The RTPark HQ management and staff will be placing considerable emphasis on assisting clients and UVI to execute against these commitments as this is the primary vehicle through which the RTPark program delivers on its social and economic development mandate.

Doing Business with the Agency I: From Enquiry to Application

Applying for membership of the RTPark program and network involves a series of stages and is designed to be fully processed within a three-month time period, assuming the applicants and counsel promptly and diligently provide requested documentation for the screening and formal application.

Stage 1: Screening and Pre-Application – Two weeks

The purpose of this stage is to provide a clear explanation of the mandate of the RTPark program, description of the incentive program and its evaluation criteria. Prospective companies engage in enquiry and screening conversations and timeline, financial, and attorney requirements are explained. Prospective companies also receive key business development documents, including the RTPark Program Brief. Prospective companies then submit a business profile, which is used to discuss fit with the RTPark Program. At the end of this stage both parties should have an agreed position on fit.

1. Interested companies should make initial contact through the Office of the Executive Director of RTPark HQ, either in writing to Peter Chapman (peter.chapman@uvirtpark.net) or by reaching the Business Development Coordinator at busdev@uvirtpark.net and at +1 340 474 0922.

2. Interested companies should prepare and submit to the Office of the Executive Director of RTPark HQ via email a **Business Profile with Financial Projections** which includes:
 - a. Description of proposed business operations and its fit with the knowledge- and technology-intensive focus of the RTPark program.
 - b. Name, address, biographical information, business background, history and past accomplishments, and other relevant information for each owner of the company.
 - c. Identify areas of interest that the company and its owners have for collaborating with and supporting the academic project of the University of the Virgin Islands.
 - d. Financial projections for five years of business operations. Also, if the company has been in business, financial statements for the past three years. These financial documents may be submitted as an attachment to the profile.

Applicants are required to submit the Business Profile in both editable (Word document) and PDF versions.

3. Interested applicants are advised that they must engage local counsel for assistance in preparing these documents and managing the initial screening process, which often involves teleconferences, face-to-face meetings, and other means of clarifying and supporting written documentation contained in the Business Profile. Appendix 1 lists attorneys located within the USVI who are familiar with the RTPark program application process and Appendix 3 provides a template for the Business Profile. Once there is agreement in principle that an interested company is potentially a good fit with all aspects of the RTPark program strategy, including commitment to social development objectives, the process moves to consideration of business proposal for entry to the program.

Interested applicants are advised that the RTPark does not require that clients use the services of any brokers or agents in connection with their application to the RTPark program. Interested applicants will be required to represent and warrant to RTPark HQ that it has not dealt with any broker or agent in connection with the application process. Applicants will be required to indemnify, defend and hold harmless RTPark HQ from any and all claims, losses and other liabilities incurred by RTPark HQ arising out of or resulting from a breach of such representation and warranty. Should an applicant choose to retain the services of or otherwise deal with any broker or agent, then the applicant shall be responsible for paying any commission or other compensation owed to such broker or agent.

Stage 2: Negotiation of Term Sheet – Four weeks

In this stage, the parties agree terms for moving forward in a long-term partnership. Upon completion of negotiations, the Term Sheet is submitted for consideration by the RTPark program Board of Directors, after payment of a non-refundable application fee of \$2,500 to the RTPark program.

4. Information contained in the profile and generated through correspondence and supporting documents is used to prepare and negotiate a non-binding Term Sheet. The parties involved in this stage are the Executive Director, RTPark program counsel, the prospective applicant, and their respective counsel. For finalization of commitments to UVI, prospective companies are also required to engage with President David Hall and his designates from UVI, in a process coordinated by the Office of the Executive Director of RTPark HQ.
5. The Term Sheet will describe all the major business points of the proposed business relationship between the prospective applicant and the RTPark program, as well as set out commitments to UVI. Terms are

negotiated based on the revenue projections that prospective applicants provide within their business profile as well as the size of the company, area of operation, and other aspects of the agreement. The minimum initial certificate fee for entry to the RTPark program is \$50,000. The minimum annual management fee payable is \$24,000. These minima apply for small, start-up companies where actual or projected gross revenues are approximately \$1-3 million per annum and would increase if the projected revenue numbers were higher.

6. Once a draft Term Sheet has been satisfactorily agreed, it is submitted to the RTPark program Board of Directors for their review and decision-making, after payment of a non-refundable application fee of \$2,500. Decisions arising from this review can either result in business proposals going forward without revision or, in certain instances, with conditional approval subject to revisions. In a limited set of cases, Term Sheets presented may be rejected outright and applicants would then have the option to resubmit an enhanced proposal.
7. Once a Term Sheet has been approved by the RTPark program Board of Directors, the formal process of application begins in earnest.

Stage 3: Formal Application Procedures – Eight weeks

If the Term Sheet is approved, prospective clients are notified and the process moves to the formal application phase. During this time the formal application is submitted and applicants undergo a comprehensive due diligence involving background checks. The definitive agreements based on the preliminary terms set out in the Term Sheet and any advice, where relevant, from the RTPark program Board of Directors, are negotiated. Decision-making steps require the final Park Tenant Agreement to be considered by the RTPark program Board of Directors. There is a 60-day window for this process to be completed and if clients and their attorneys do not make best efforts to complete within this timeframe, penalties are applied.

8. The applicant completes and submits the RTPark program's formal application to the Office of the Executive Director of RTPark HQ. This comprises application sections for the company and for each of its owners. The company and its owners also sign a due-diligence authorization letter and pay due-diligence background-check fees of \$4,000, payable to RTPark program counsel. Due diligence is undertaken by third-party contractors hired by RTPark HQ and a report is submitted to RTPark program Board of Directors for their review and decision-making.
9. RTPark HQ, the company, and their respective counsels negotiate a new Park Tenant Agreement and other transaction documents, including schedule for payments of initial certificate fee and management fees. The Park Tenant Agreement is submitted to the RTPark program Board of Directors for their review and decision-making.

Doing Business with the Agency II: From Activation to Exit

Once the Park Tenant Agreement has been approved, prospective clients work with RTPark HQ to complete formalities necessary to activate membership and begin operating as active clients of the RTPark program. Prospective clients pay initial certificate fees, submit remaining documentation, and participate in a client activation meeting. For the term outlined in the Park Tenant Agreement, active clients comply with requirements necessary to maintain membership, including payment of an annual management fee, execution of annual UVI partnership commitments, and provision of compliance and informational documents.

Stage 4: Network Membership Activation – Four weeks

The purpose of this stage is to complete formalities required to activate network membership. Participation in a Client Activation Meeting marks the end of this stage.

10. The prospective client pays the agreed-upon initial certificate fee to RTPark HQ within seven days of notification of approval of the Park Tenant Agreement.
11. The prospective client provides to RTPark HQ any remaining documentation necessary for activating membership in the RTPark program, including regulatory certificates and licenses.
12. The prospective client participates in a Client Activation Meeting with RTPark HQ whose purpose is to welcome clients into the network, clarify expectations, and explain the processes and requirements of maintaining active membership. Typically at this meeting, the final Park Tenant Agreement is fully executed and the RTPark Program Cell Certificate is handed over.

Stage 5: Maintaining Ongoing Network Membership

This stage lasts for the term agreed in the Park Tenant Agreement, typically 15 years.

13. Active clients pay the agreed-upon annual management fee to RTPark HQ.
14. Active clients work collaboratively with UVI to execute agreed-upon partnership commitments.
15. Active clients submit compliance documents and an Annual Report to RTPark HQ.
16. Active clients notify RTPark HQ of any changes in business operations.
17. Active clients maintain direct contact with RTPark HQ and participate in annual review meetings.

Stage 6: Ending Active Membership

Procedures for ending membership of the RTPark program are codified in the Park Tenant Agreement.

Compliance, Monitoring, and UVI Partnerships

Once accepted in the RTPark program, companies are required to comply with all conditions set out in the Park Tenant Agreement. RTPark HQ has a strengthened compliance program aimed at ensuring compliance with these terms and conditions. The main tools of this compliance system include a robust process for conducting compliance reviews, communicating results, and collaboratively working with clients to ensure full compliance, and the establishment of regular schedules of meetings, including for network inception, annual operational reviews, and reviews of compliance review findings.

Compliance reviews cover several areas, including assessments in respect of requirements for activating network membership (including completion of remaining formalities), requirements to maintain ongoing membership (including payment of annual management fees and provision of compliance documents and Annual Reports in the agreed-upon timeframe), and requirements to comply with statutory provisions. Clients will also be assessed on the extent to which they have informed the RTPark HQ of any changes in business

operations. Compliance review results will be formally communicated to clients and meetings scheduled to discuss the findings and any necessary remediation actions.

The new strategy also provides for RTPark HQ to provide dedicated assistance in fulfilling commitments to UVI, in terms of facilitating and explaining arrangements for hiring UVI students as interns, or employing UVI graduates for fulltime positions. Clients are now required to provide information to RTPark HQ on the execution of commitments.

Statutory Authority and Governance

As an instrumentality of the US Virgin Islands government, the statutory authority for the UVI RTPark program derives from a series of legislative provisions. Act No. 6502 was signed into law on February 21, 2002 by USVI Governor Charles W. Turnbull, which added Chapters 34 and 43 to Title 17 of the Virgin Islands Code. This legislation established the RTPark program and RTPark-PC as public corporations and autonomous instrumentalities of the Virgin Islands government. Throughout the years, there have been amendments to the enabling legislation, which have further clarified the status of RTPark program beneficiaries, the composition and term duration of Directors, and the definition of firms that can qualify under the incentive program. There is a stable regulatory environment and the RTPark program enjoys a good working relationship with all branches of government and related economic development agencies.

The Board of Directors of the RTPark program is charged with responsibility for the overall management of the RTPark program and has the exclusive right, subject to the Governor's final approval, to negotiate with all prospective clients as to the terms of their agreements with the RTPark program. The Board is chaired by Edward Thomas and other members include: Mr. Adrian Gardner, Vice Chair; Dr. David Hall, President of the University of the Virgin Islands; Judge Henry Smock, Chair of the UVI Board of Trustees; and Mrs. Shirley Lake-King, Vice President of the UVI Office of Administration and Finance. Regular sessions of the meeting of the board of directors are open to the public and minutes are available for review.

Management and Team

The RTPark program team is led by Executive Director, Peter Chapman, who joined the organization in September 2018. Roles and responsibilities are focused in the areas of Business Development, Administrative Management and Compliance, Client Communications, UVI Partnership Management, Financial Affairs, Research and Analysis, Information Technology, and Stakeholder Engagement, including Local Community Engagement. The work of the team is supported by specialist service providers, consultants and advisors, some of whom provide services on a pro-bono basis.

Contact Information

The headquarters of the RTPark program are located at:

7 King Street, Second Floor
Christiansted, St. Croix, USVI 00820
Tel: +1 340 474 0922
Email: busdev@uvirtpark.net

Executive Director
Peter Chapman
Email: peter.chapman@uvirtpark.net

Business Development Coordinator
Email: busdev@uvirtpark.net

APPENDICES

Appendix 1: List of USVI Attorneys Familiar with the Requirements for the RTPark Program

USVI Attorneys Familiar with the Requirements for the RTPark Program				
	Name	Phone	Address	Email Address
St. Croix				
K.A. Rames, PC				
1/	Semaj I. Johnson Kevin Rames	340.773.7284	Suite 3 2111 Company Street St. Croix, USVI 00820	Semaj.johnson@rameslaw.com kevin.rames@rameslaw.com
McChain Miller Nissam				
2/	Scot F. McChain	340.719.0601	53A Company Street St. Croix, USVI 00820	smcchain@ilpplus.com
Hamm Eckard, LLP				
3/	Donovan M. Hamm Jr. Mark Eckard	340.773.6955	5030 Anchor Way St. Croix, USVI 00820	dhamm@hammeckard.com meckard@hammeckard.com
Kleeger & Kleeger PC				
4/	Lorin Kleeger	340.773.1246	40 Strand Street PO Box 25831 St. Croix, USVI 00824	lorinkleeger@gmail.com
St. Thomas				
Marjorie Roberts, PC				
4/	Marjorie Rawls Roberts Trey Goldsmith	340.776.7235	One Hibiscus Alley 5093 Dronningens Gade Suite 1 St. Thomas, USVI 00802	jorie@marjorierobertspc.com trey@marjorierobertspc.com
Kellerhals Ferguson Kroblin, PLLC				
5/	Erika A. Kellerhals Greg Ferguson	340.779.2564	Royal Palms Professional Building 9053 Estate Thomas Suite 101 St. Thomas, USVI 00802	ekellerhals@kellfer.com gferguson@kellfer.com
Dudley Rich Davis, LLP				
6/	Adriane Dudley	340.776.7474	34-35 Dronningens Gade Suites 2A & 2B St. Thomas, USVI 00802	adudley@dudleylaw.com
Bolt Nagi, PC				
7/	Tom Bolt	340.774.2944	5600 Royal Dane Mall Suite 21 St. Thomas, USVI 00802	tbolt@vilaw.com
Law Office of Joseph M. Erwin				
8/	Joe Erwin	214.969.6890	100 Crescent Court Ste. 700 Dallas, TX 75201	Joe@ErwinTaxLaw.com

Appendix 2: Summary of USVI Tax Incentives for RTPark Program Approved Companies

Under the provisions of the Internal Revenue and the U.S. Virgin Islands statutes that created the University of the Virgin Islands Research and Technology Park (“RTPark”) program, company that is approved for benefits under the program is entitled to the following benefits:

- Up to a 90 percent (90%) reduction in income tax liability attributable to the company’s qualifying income from a) income from USVI sources and b) income that is “effectively connected” with the conduct of a USVI trade or business pursuant to section 934(b)(1) of the US Internal Revenue Code. The income must be attributable to a business that is approved for benefits by the RTPark program. The income must not be U.S. source income or “effectively connected” with the conduct of a U.S. trade or business.
- An exemption on taxes on real property to the extent that it is utilized in the company’s business that is approved for benefits by the RTPark program.
- An exemption from the USVI gross receipts taxes on receipts from the company’s business that is approved for benefits by the RTPark program.
- An exemption from excise taxes on building materials, tools, pipes, pumps, conveyor belts or other appliances, materials and supplies necessary for use in the construction, alteration, re-construction or extension of the physical plant or facilities.
- An exemption from excise taxes on raw materials and component parts brought into the USVI for the purpose of producing, creating or assembling an article, good or commodity;
- An exemption from withholding tax with respect to payments of interest and a four percent (4%) withholding rate on the payments of dividends and royalties;
- A reduction in customs duties from six percent (6%) to one percent (1%) on raw materials and component parts brought into the USVI by an approved company to produce, create, or assemble an article, good, or commodity.
- The benefits will apply to shareholders, members, partners, grantors, beneficiaries, and other direct or indirect owners of the company who are bona fide residents of the USVI in accordance with Section 932(c) of the US Internal Revenue Code of 1986, as amended. Qualifying persons are entitled to a ninety percent (90%) reduction on income taxes payable on income derived from the dividends (100% on pass-thru distributions) paid to them by the company on qualifying income from the business that is approved by the RTPark program.
- The company will not be subject to any otherwise applicable taxes or tax increases that may be subsequently enacted by the USVI Government during the period of its benefits, which is generally fifteen (15) years

Appendix 3: Template for Company Profile

Interested applicants should prepare and submit to the Office of the Executive Director of the RTPark HQ via email (busdev@uvirtpark.net) a **Business Profile** which includes:

Section A: Description of proposed business operations and its fit with the knowledge- and technology-intensive focus of the RTPark Program. This should include:

- Description of company background, including identification of owners, history of previous businesses, and new company formation.
- Description of proposed areas of operation and specialization.
- Description of intended client demographic for the proposed business.
- Description of proposed use of technology and of fit with the RTPark Program.

Section B: Contact details. For each owner, this should include:

- Name, physical address, email address, and telephone numbers.
- Biographical information.
- Description of business background and experience, history and past accomplishments, and other relevant information.
- Description of role at company.

Section C: Potential collaboration with UVI. This should:

- Identify areas of interest that the company and its owners have for collaborating with and supporting the academic project of the University of the Virgin Islands.

Section D: Financial information. This should include:

- Financial projections for five years of business operations.
- Financial statements for the past three years, if the company has been in business.

Appendix 4: Template for Pro-Forma Financial Information

Interested applicants should prepare and submit to the Office of the Executive Director of the RTPark HQ via email (busdev@uvirtpark.net) a set of **Summary Financial Statements and Projections** which includes:

- 1/ For newly-formed companies: Five years of financial projections.
- 2/ For an existing business: Certified financial statements for the last three years and five years of financial projections.

An indicative illustration of an acceptable pro-forma financial statement is provided below.

		Pro-Forma Financial Statement: Five-year Projections				
COMPANY NAME		INSERT APPLICABLE YEARS				
Revenue		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	Sales revenue					
	Service revenue					
	Interest revenue					
	Other revenue					
	Total Revenues	-	-	-	-	-
Expenses						
	Advertising					
	Commissions					
	Depreciation					
	Employee benefits					
	Furniture and equipment					
	Insurance					
	Interest expense					
	Maintenance and repairs					
	Office supplies					
	Payroll taxes					
	Rent					
	Research and development					
	Salaries and wages					
	Software					
	Travel					
	Utilities					
	Web hosting and domains					
	Other					
	Total Expenses	-	-	-	-	-
	Net Income Before Taxes	-	-	-	-	-
	Income tax expense					
	Income from Continuing Operations	-	-	-	-	-
Below-the-Line Items						
	Income from discontinued operations					
	Effect of accounting changes					
	Extraordinary items					
	Net Income	-	-	-	-	-