



December 6, 2013

*Via Hand Delivery*

Mr. John McDonald  
Director  
Office of the Lieutenant Governor  
Division of Banking & Insurance  
5049 Kongens Gade  
St. Thomas, VI 00802



**Re: Financial Strategy Group, Ltd. IBE Application Supplement**

Dear Director McDonald:

This correspondence shall serve as a supplement to the initial application for benefits under the International Banking Entity Act filed by Financial Strategy Group, Ltd. in January 2013. As requested in your email correspondence with Mrs. Cecile deJongh, we are providing the following:

1. Updated Due Diligence Disclosure Affidavit for Mr. Jeffrey Epstein;
2. Management Organization Chart
3. List of Jurisdictions
4. Check in the amount of \$10,000.00.

Kindly advise us if you need any additional information.

Very truly yours,



Erika Kellerhals

enc.

RECEIVED  
13 DEC -6 AM 12: 00  
OFFICE OF THE GOVERNOR  
BANKS & INSURANCE

Due Diligence Disclosure Affidavit

**DUE DILIGENCE DISCLOSURE AFFIDAVIT**  
**(International Banking Entity)**  
**(Print or Type)**

Full Name and Address of Company (Do Not Use Group Names.) **Financial Strategy Group, Ltd.**

In connection with the above-named company, I herewith make representations and supply information about myself as hereinafter set forth. (Attach addendum or separate sheet if space hereon is insufficient to answer any question fully.) *IF ANSWER IS "NO" OR "NONE", SO STATE.*

1. Affiant's Full Name (Initials Not Acceptable) **Jeffrey Edward Epstein**
2. a. Have you ever had your name changed? **No.**  
If yes, give the reason for the change. **N/A**
- b. Other names used at any time. **None.**
3. Affiant's Social Security Number. **xxx-xx-3348**
4. Of what country are you a citizen? **United States of America**
  - a. Please indicate the following:
    - i. Place of birth (City, State): **Brooklyn, New York**
    - ii. Country of birth: **United States of America**
  - b. If you are not a citizen of the United States, please indicate:
    - i. Port of entry to the United States: **N/A**
    - ii. Name and address of sponsor upon your arrival: **N/A**
5. If you are a natural citizen, provide the following information:
  - a. Petition number: **N/A**
  - b. Date granted: **N/A**
  - c. Court: **N/A**
  - d. City/State of Court: **N/A**
  - e. Certificate number: **N/A**
6. Affiant's Business Address: **6100 Red Hook Quarter B3, St. Thomas, VI 00802**

Business Telephone.            340   -   775   -   2525

7.    List your residences for the last ten (10) years starting with your current address, giving:

DATE	ADDRESS	CITY AND STATE
1999 to Present	Little St. James Island	St. Thomas U.S. Virgin Islands

Current Residence Telephone.            In order to protect Mr. Epstein's privacy, we respectfully request that the Applicant be permitted to provide Mr. Epstein's current residence telephone number separately to the Division of Banking and Insurance.

8.    a. Please provide details of your education:

College/School Name:

DATE	DEGREE	LOCATION
------	--------	----------

College:            No Degree.

Graduate:            None.

b. Indicate if you have any particular training related to banking business and/or securities, investment or finance.

Mr. Epstein is an experienced and successful financier and businessman. He is renowned for his complex mathematics skills and is an exceptional entrepreneur who has built several highly profitable companies. He has successfully transferred these skills to the world of high finance, having been one of the pioneers of derivative and option-based investing. He looks now to shift his focus to the dynamic discipline of international banking. Mr. Epstein's global relationships in the upper echelon of international finance and business, and his highly sophisticated knowledge of finance, science and mathematics will enable the Applicant to thrive in this competitive environment.

9.    List Membership in Professional Societies and Associations

Mr. Epstein was formerly a Trustee of the Scholar Rescue Fund of the Institute of International Education Inc. Mr. Epstein was formerly a member of each of the Trilateral Commission, the Council on Foreign Relations, and the New York Academy of Science and is also a former Rockefeller University Board Member. Mr. Epstein has been actively involved in the Santa Fe Institute, the Theoretical Biology Initiative at the Institute for Advanced Study, and the Quantum Gravity Program at the University of Pennsylvania, and also sat on the Mind, Brain & Behavior Advisory Committee at Harvard University.

10. Present or Proposed Position with the Applicant Company.

**President & CEO.**

11. State the estimated amount of time you will devote working for the financial institution (e.g. director, partner, manager, officer, stockholder).

**10-15 hours per week.**

12. List complete employment record (up to and including present jobs, positions, directorates or officerships) for the past twenty (20) years.

**Mr. Epstein has been self-employed for well over twenty (20) years. Mr. Epstein currently owns and is the Chief Executive Officer of Southern Trust Company, Inc. a USVI corporation and beneficiary of the EDC program.**

13. Present employer may be contacted. YES  NO

Former employers may be contacted. YES  NO

14. Indicate assets and liability of any applicant and of any person who possesses or controls or intends to possess or control 10 percent or more in the capital of the proposed international banking entity, or of the person of which the proposed international banking entity is to be a unit, for each of the three years preceding the application. (See attached Statement of Assets and Liability form to be completed).

**In order to preserve the confidential nature of Mr. Epstein's financial information, we are respectfully requesting that we be afforded the opportunity to meet with representatives of the Division of Banking and Insurance and provide a statement of assets and liabilities for review.**

15. Have you ever been in a position, which required a fidelity bond? YES  NO

a) If any claims were made on the bond, give details: N/A

---

b) Have you ever been denied an individual or position schedule fidelity bond, or had a bond cancelled or revoked? YES  NO

If yes, give details: N/A

16. List any professional, occupational, and vocational licenses issued by any public or governmental licensing agency or regulatory authority, which you presently hold or have held in the past (place and date, license issued, issuer of license, date terminated, reasons for termination). **None.**

17. During the last ten (10) years, have you ever been refused a professional, occupational, or vocational license by any public or governmental licensing agency or regulatory authority, or has and any such license held by you ever been suspended or revoked? YES  NO

If yes, give details. N/A

18. List any financial institution in which you control directly or indirectly or own legally or beneficially outstanding stock, participation or have an interest and the percentage of ownership.

**Mr. Epstein does not directly or indirectly control any financial institution. He does, however, own publicly traded stocks and bonds in a number of international and national banks.**

If any of the stock is pledged or hypothecated in any way, give details.

**N/A**

Will you or members of your immediate family subscribe to or own, beneficially or of record, shares of stock of the applicant financial institution or its affiliates? YES  NO

If any of the shares of stock are pledged or hypothecated in any way, give details.

**N/A**

19. Have you ever filed bankruptcy? YES  NO  If yes give details. **N/A**

20. a. Have you ever been arrested, detained, charged, convicted or had a sentence imposed or suspended or had pronouncement of a sentence suspended or been pardoned for conviction of or pleaded guilty or nolo contendere to an information or indictment charging any felony, or

charging a misdemeanor involving embezzlement, theft, larceny, or mail fraud, or charging a violation of any corporate securities statute or any insurance law, or have proceedings of any federal or state regulatory agency? YES  NO  If yes, give details

Mr. Epstein was arrested and charged by the Palm Beach County State Attorney with one count of solicitation of prostitution in 2006 and one count of underage solicitation in 2008, relating to matters alleged to have taken place over eight (8) years ago exclusively within Palm Beach County, Florida. On June 30, 2008, before the Florida Circuit Court for the 15<sup>th</sup> Judicial Circuit located in Palm Beach, Florida, Mr. Epstein pleaded guilty to and was convicted of the above mentioned charges. Mr. Epstein served 13 months of an 18 month sentence in the Palm Beach County jail, followed by enhanced probation, which he completed in July 2010. Nothing to which Mr. Epstein pleaded guilty and for which he was convicted had any relation to the business or industry of the Applicant or to the ownership, management or operation of the Applicant, or any other business, by Mr. Epstein.

b. Has any company been so charged, allegedly as a result of any action or conduct on your part? YES  NO  If yes, give details. N/A

---

21. Have you ever been the subject of an investigation conducted by any governmental agency/ organization, court, commission, committee, grand jury or investigatory body (local, state, county, provincial, federal, national, etc other than in response to a traffic summons? YES  NO

If yes, please provide the name and address of court or other agency, nature of proceeding or investigation date, whether testimony given and if so what date, and approximate time period of investigation.

A local investigation of Mr. Epstein was commenced in 2005 by the Palm Beach (Florida) Police and the Palm Beach County State Attorney relating to the matters referred to in the explanation detailed in Question 20a. above. An investigation was also conducted by the United States Attorney's Office for the Southern District of Florida and the Federal Bureau of Investigation in 2007 relating to the same matters investigated by the Palm Beach authorities. The federal investigation was discontinued in 2008 without the issuance of any federal charges. Nothing for which Mr. Epstein was investigated had any relation to the business or industry of the Applicant or to the ownership, management or operation of the Applicant, or any other business, by Mr. Epstein.

22. In the past ten years, have you as an individual, member of a partnership, or owner, director, or officer of a corporation, ever been a party to a lawsuit, as a defendant? YES  NO

If yes, please provide information regarding the date it was filed, name and address of the court, docket/case number, names of any other parties to suit, nature of suit, disposition and date of disposition.

Beginning in 2007 a number of civil tort actions arising out of the same or similar matters alleged in the Palm Beach investigations were commenced against Mr. Epstein. All but one, which was claimed to have arisen out of matters alleged to have occurred over 13 years ago in New York and has been settled, were commenced in Federal District Court for the Southern District of Florida, or the Florida Circuit Court of the 15<sup>th</sup> Judicial Circuit in and for Palm Beach County. These cases related to matters alleged to have occurred over 8 years ago exclusively within Palm Beach County and had no relation to the business or industry of Applicant or the to ownership, management or operation of the Applicant, or of any other business of Mr. Epstein. All of these cases have been settled and have been dismissed with prejudice. Litigation in the Florida Circuit Court of the 15<sup>th</sup> Judicial Circuit in and for Palm Beach County between Mr. Epstein and two lawyers also is pending.

Additional litigation commenced in the past 10 years against Mr. Epstein as a defendant has been unremarkable:

- In 2004, Mr. Epstein settled a Pennsylvania state court case with an artist involving a dispute over the performance of a personal service contract.
- In 2005, Mr. Epstein and his company received a settlement in connection with a dispute with Citibank brought in separate fora in New York and in the Virgin Islands over investments made by Mr. Epstein's company in Citibank sponsored investment vehicles.

- In 2006, Mr. Epstein settled a Florida Circuit Court case with an artwork consignor involving a dispute among the consignor, the dealer and Mr. Epstein over ownership of artwork which Mr. Epstein purchased for good value from the dealer.
- An action was commenced in New York Supreme Court by the liquidating trustee of a limited partnership to recover distributions made several years earlier to a limited partner on the basis of audited financial statements, which were later challenged as inaccurate. Mr. Epstein was the trustee of the limited partner. The case against Mr. Epstein as trustee of the limited partner was dismissed with prejudice in 2007.
- In 2009, Mr. Epstein settled a dispute in the United States District Court for the Southern District of Florida with a marine contractor regarding the correct amount to be charged for services at a Palm Beach property, beneficially owned by Mr. Epstein.
- In 2010, a case against Mr. Epstein in the Virgin Islands Superior Court involving a contract dispute with a contractor engaged to provide services at Mr. Epstein's home in the Virgin Islands was dismissed by order of the Court and referred to Arbitration. The contractor did not pursue the matter in Arbitration.
- In 2010, Mr. Epstein settled a sales contract dispute in the Virgin Islands Superior Court with a seller who refused to honor the sales agreement and counterclaimed against Mr. Epstein.
- In 2011, Mr. Epstein and his company received a settlement in a declaratory judgment and contract action commenced against Mr. Epstein by an architectural and design firm.
- In 2012, Mr. Epstein and a company he owned were sued in the United States Virgin Islands Superior Court for personal injuries by a workman who fell from a ladder at Mr. Epstein's residence. This case is pending.
- In 2012, Mr. Epstein and a company he owns were defendants in a small claims court case in the United States Virgin Islands Superior Court involving a dispute over the price and completion of carpentry work at Mr. Epstein's residence. The matter has been adjudicated.
- In 2013, Mr. Epstein received a settlement in a case brought in the Virgin Islands Superior Court against a millwork contractor arising out of work and materials provided at Mr. Epstein's residence. The case was dismissed.

With the exception of the case brought against Mr. Epstein as a trustee and the Citibank cases, which ended in either an outright dismissal of Mr. Epstein or a settlement in Mr. Epstein's favor, none of the litigation described above involved any business activity of Mr. Epstein, including, without limitation, any proposed business activity of the Applicant. They are related to Mr. Epstein's personal matters, and nearly all of them were resolved and are no longer pending.

23. Have you ever been an officer, director, trustee, investment committee member, key employee, or controlling stockholder of any financial institution which, while you occupied any such position or capacity with respect to it, became insolvent/bankrupt or was under supervision or in receivership, rehabilitation, liquidation or conservatorship?

YES  NO  If yes, give details. N/A

24. Have you declared bankruptcy, or has an assignment ever been made for the benefit of your creditors? YES  NO

25. Have you been permanently or temporarily enjoined from engaging in or continuing any conduct or practice related to any business by any competent court or government entity in any country? YES  NO  (See Rider A)

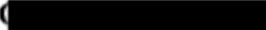
If yes, give details. N/A

26. Provide three (3) references of persons who have known you for (5) five years or more. Do not include relatives, present employer or employees or bank references.

Name	Business Organization	Address	Telephone
Eva Andersson Dubin			
David Mitchell			
Joseph Pagano			

27. Provide three (3) bank references:

Financial institutions with which Mr. Epstein and affiliates currently conduct business and contact information for such institutions are provided below:

Paul Morris  
Deutsche Bank Asset & Wealth Management  
345 Park Avenue, 27th Floor  
New York, NY 10154  


Robert D. Falzarano  
FirstBank  
P.O. Box 309600  
St. Thomas, VI 00803  
T: 

28. Have you had or have any propriety interest in any other enterprise which is or has been a beneficiary under any of the Virgin Islands Economic Development Programs (EDC, RT Park, STARS Act, Exempt Companies Act, Captive Insurance Program)? YES  NO

If yes, please explain below.

Name	NAME OF BUSINESS	TYPE OF BUSINESS
EDC	Financial Trust Company, Inc.	Designated service business
EDC	Southern Trust Company, Inc.	Designated service business

29. Has any entity in which you or your spouse, is was a director, officer, partner or an owner of a 5% or greater interest ever had any license, permit or certificate issued by a governmental agency in any jurisdiction denied, suspended, revoked, or subject to any conditions? YES NO

If yes, please explain below.

N/A

30. Please provide Tax Clearance Letter.

**IRB has indicated they will not provide tax clearance letters.**

31. Please provide Police Clearance Letter. (Police Records Check)

**See attached.**

32. How did you learn of the IBE program opportunity? Identify all individuals that made you aware of the program.

**Mr. Epstein learned of the IBE program through local news articles on the legislation and from employees and counsel.**

33. Provide all legal opinions concerning the tax effects of participating in the IBE program.

**Legal opinions will be provided upon completion.**

34. Has your legal counsel analyzed IRS Notices 2006-76, 2004-45? Have you reviewed Title 26 USC 932, 934, 937(b)(2) and Treasury Regulation §§ 1.937-2(c)(1) and 1.937-3(c)(1) and all relevant IRS regulations? Do you personally understand that the examples used by the IRS in Notice 2006-76 refer specifically to companies organized in a U.S. territory, have their sole place of business in the U.S. territory, and are not engaged in the conduct of a trade or business in the United States. Describe whether your business will be substantially similar or different from the businesses described in the sourcing examples in the Treasury Regulations. Describe any differences in the operation of your business.

**Mr. Epstein is familiar with the sourcing rules as prescribed in the Internal Revenue Code, Treasury Regulations and accompanying Revenue Rulings and notices.**

35. Please identify all controlled affiliates and explain what relationship they have or will have to your Virgin Islands company.

**Southern Trust Company, Inc., which is solely owned by Mr. Epstein, will operate independently of Financial Strategy Group, Ltd.**

36. Anatomy of a transaction. Please describe in narrative and chronological order how a typical transaction will occur in your Virgin Islands business. Include money movements and banking transactions.

**More information will be provided as the business plan takes shape, however it is anticipated that all services will be provided from the U.S. Virgin Islands.**

37. Have you individually or by and through a controlled affiliate ever been subject to a post audit IRS penalty assessment? If so, please explain and provide appropriate documentation.

**No.**

38. Will you agree to report to the Division of Banking & Insurance any suspicious financial transactions of your customers when you become aware of them? For guidance on suspicious activities consult with the U.S Department of the Treasury's FINCEN website. <http://www.fincen.gov>.

Yes.

39. Will you agree to research and insure that your business is compliance with the FATCA regulations?

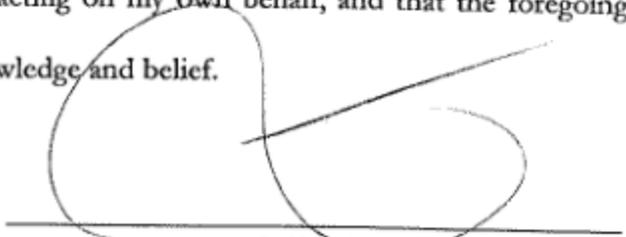
Yes.

40. Do you agree to diligently review the OFAC lists so that the Division of Banking can rest assured that you are not doing business with OFAC listed persons or entities?

Yes.

Dated and signed this the 5<sup>th</sup> day of December, 2013 at New York, New York

I hereby certify under penalty of perjury that I am acting on my own behalf, and that the foregoing statements are true and correct to the best of my knowledge and belief.

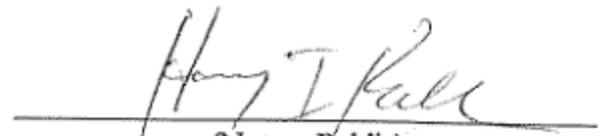
  
\_\_\_\_\_  
Jeffrey E. Epstein  
(Signature of Affiant)

STATE OF NEW YORK

COUNTY OF NEW YORK

Personally appeared before me the above named Jeffrey E. Epstein  
Personally known to me, who, being dully sworn, deposes and says that he executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this the 5<sup>th</sup> day of December, 2013.

  
\_\_\_\_\_  
(Notary Public)

(Seal)

My commission expires \_\_\_\_\_

## Definitions

1. Act: The enabling legislation of the Government of the USVI which established the IBE Program, Act 7390, and any other relevant legislation of the Government of the USVI.
2. Applicant: A prospective applicant for the establishment of an IBE.
3. As used herein, the words "person" or "persons" include individuals, firms, corporations, limited liability companies, partnerships, associations, joint ventures, trusts, entities, or other groups, however organized.
4. The term "bona fide resident of the Virgin Islands" shall have the same meaning as that term is used in 26 U.S.C. § 932(c)(1)(A) and (4)(A) as was in effect during and applicable to each of the taxable years 2003 and 2004.
4. The term USVI or Virgin Islands shall have the same meaning as United States Virgin Islands.

## RELEASE AUTHORIZATION

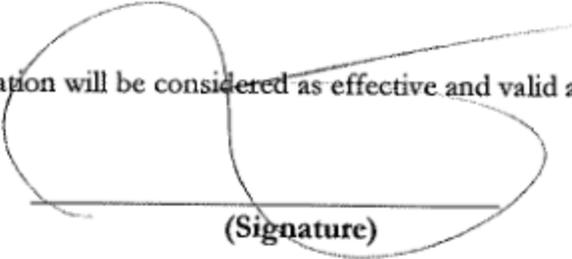
To all Courts, Probation Departments, Selective Service Boards, Employers, Educational Institutions, Banks, Financial and Other Such Institutions, Credit Agencies, and All Private or Government Agencies, federal, state and local, without exception, both foreign and domestic.

On behalf of Financial Strategy Group, Ltd.  
(Name)

I, Jeffrey E. Epstein, have authorized the Virgin Islands Division of Banking and Insurance or its designee to conduct a full investigation into the background of the said enterprise, its principals, agents and employees.

Therefore, you are hereby authorized to release any and all information pertaining to the said enterprise, documentary otherwise, as requested by any agent of the Virgin Islands Division of Banking and Insurance or its designees.

A photo static copy of this authorization will be considered as effective and valid as the original.

  
(Signature)

Subscribed and sworn to before me this 5<sup>th</sup> day of December, 2013.

  
Notary Public

HARRY I. BELLER  
Notary Public, State of New York  
No. 01BE4853924  
Qualified in Rockland County  
Commission Expires Feb. 17, 2014

SEAL



Government of  
The Virgin Islands of the United States



VIRGIN ISLANDS POLICE DEPARTMENT

ST. THOMAS/WATER ISLAND (XX) ST. CROIX ( ) ST. JOHN (XX)

CODE: (NFP) Unsupported by Fingerprints  
(SFP) Supported by Fingerprints

TO WHOM IT MAY CONCERN:

DATE: December 3, 2013

This is to certify that on this date a name check... NFP... was made through the records of this department for the following person

Jeffrey E. EPSTEIN

DOB: 01/20/53

POB: NEW YORK, U.S.A.

and it revealed that the *fore-mentioned* subject has no police or criminal records.

For: Dr. Naomi R. Bello  
*Director of Planning & Research and  
Central Records Bureau*

Record Search by:

Nailah Schneider

NEJE Operator

Title

### Management Organization Chart

Upon formation, Mr. Epstein shall serve as the President and CEO of the company. It is anticipated that the initial employment needs of the company can be met with the initial hiring of an administrative person and a financial/tax analyst with experience in one or more of the following sectors: reinsurance, private equity, bank advisory, and life sciences. FSG has requested a waiver of the additional hiring requirement, but anticipates that as it grows, management personnel will be hired to oversee each line of business.

Both the administrative assistant and the analyst would report directly to Mr. Epstein.

### **List of Jurisdictions**

FSG will be headquartered in the U.S. Virgin Islands. It is not anticipating having offices in any other jurisdiction, but will notify the Division of Banking & Insurance in the event that changes. Furthermore, FSG does not anticipate owning property outside the U.S. Virgin Islands. FSG may conduct business in the United States and in non-US jurisdictions.

**KELLERHALS FERGUSON FLETCHER KROBLIN, LLP**

TRUST ACCOUNT  
9100 HAVENSIGHT, PORT OF SALE  
STE. 15-16  
ST. THOMAS, U.S. VIRGIN ISLANDS 00802  
(340) 779-2564

**M<sub>C</sub>B** **MERCHANTS**  
**COMMERCIAL**  
**BANK**  
SE. THOMAS, VI 00802  
101-674-216



12/6/2013

PAY TO THE ORDER OF Government of the VI

\$ \*\*10,000.00

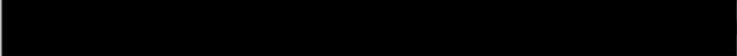
Ten Thousand and 00/100\*\*\*\*\*

DOLLARS

Government of the VI

MEMO  
Epstein - IBE application

AUTHORIZED SIGNATURE



**KELLERHALS FERGUSON FLETCHER KROBLIN, LLP**  
**TRUST ACCOUNT**

Government of the VI

Epstein - IBE application

12/6/2013

10,000.00

VI Trust/IOLTA - Merc Epstein - IBE application

10,000.00

RECEIVED  
13 DEC -6 AM 12:00  
STATE OF VIRGINIA  
TREASURY & FINANCE