



KELLERHALS FERGUSON FLETCHER KROBLIN LLP

9100 HAVENSIGHT
SUITE 15
ST. THOMAS, VI 00802

FAX [REDACTED]

January 9, 2012

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

Re: International Banking Center Regulatory Act

Dear Mr. McDonald:

Enclosed please find an application for benefits as an International Banking Entity ("IBE") filed on behalf of Financial Strategy Group, Ltd. ("FSG"). We have reviewed the statute closely and have provided all information that is statutorily required in order for the application to be considered. Specifically we have included:

- Proposed articles of incorporation;
- Identity and business history of applicant/shareholders of FSG;
- Location of principal place of business within the USVI;
- Statement of assets and liabilities of the shareholders;
- The identity and background of all proposed directors and officers;
- Confirmation of statutory commitments
- Request for waiver of the employment requirement; and
- Draft management training plan;
- Description of business to be undertaken by FSG.

I have also enclosed check number _____ in the amount of Ten Thousand Dollars (\$10,000.00), which represents the non-refundable application fee.

Please contact me if you have any questions regarding the enclosed information.

Very truly yours,

Erika Kellerhals

TAMPA U.S. VIRGIN ISLANDS NEW YORK

EFTA01104771

APPENDIX 1
Draft Articles of Incorporation

**ARTICLES OF INCORPORATION
OF
FINANCIAL STRATEGY GROUP, LTD.**

We, the undersigned, for the purposes of associating to establish a corporation for the transaction of the business and the promotion and conduct of the objects and purposes hereinafter stated, under the provisions and subject to the requirements of the laws of the Virgin Islands of the United States (hereinafter called the "Virgin Islands"), and particularly the General Corporation Law of the Virgin Islands (Chapter 1, Title 13, Virgin Islands Code), as the same may be amended from time to time, do make and file these Articles of Incorporation in writing and do certify:

ARTICLE I

The name of the Corporation (hereinafter referred to as the "Corporation") is ***FINANCIAL STRATEGY GROUP, LTD.***

ARTICLE II

The principal office of the Corporation in the Virgin Islands is located at 9100 Port of Sale Mall, Suite 15, St. Thomas, U.S. Virgin Islands, 00802 and the name of the resident agent of the Corporation is Business Basics VI, LLC, whose physical and mailing address is 9100 Port of Sale Mall, Suite 15, St. Thomas, U.S. Virgin Islands 00802.

ARTICLE III

Without limiting in any manner the scope and generality of the allowable functions of the Corporation, it is hereby provided that the Corporation shall have the following purposes, objects and powers:

- (1) To engage in any lawful business in the United States Virgin Islands.
- (2) To enter into and carry out any contracts for or in relation to the foregoing business with any person, firm, association, corporation, government or governmental agency.
- (3) To conduct its business in the United States Virgin Islands and to have offices within the United States Virgin Islands.
- (4) To borrow or raise money to any amount permitted by law by the sale or issuance of obligations of any kind, to guarantee loans, other types of indebtedness and financing obligations, and to secure the foregoing by mortgages or other liens upon any and all of the property of every kind of the Corporation.

(5) To do all and everything necessary, suitable and proper for the accomplishment of any of the purposes or the attainment of any of the objects or the exercise of any of the powers herein set forth, either alone or in connection with other firms, individuals, associations or corporations in the Virgin Islands and elsewhere in the United States and foreign countries, and to do any other acts or things incidental or appurtenant to or growing out of or connected with the said business, purposes, objects and powers of any part thereof not inconsistent with the laws of the Virgin Islands, and to exercise any and all powers now or hereafter conferred by law on business corporations whether expressly enumerated herein or not.

The purposes, objects and powers specified in this Article shall not be limited or restricted by reference to the terms of any other subdivision or of any other article of these Articles of Incorporation.

ARTICLE IV

The total number of shares of all classes of stock that the Corporation is authorized to issue is One Hundred Thousand (100,000) shares of common stock at \$1.00 par value; no preferred stock authorized.

The minimum amount of capital with which the Corporation will commence business is One Hundred Thousand Dollars (\$100,000).

ARTICLE V

The names and places of residence of each of the persons forming the Corporation are as follows:

NAME

Jeffrey E. Epstein
Darren K. Indyke
Jeanne Brennan

RESIDENCE

Little St. James Island, St. Thomas, VI 00802

ARTICLE VI

The Corporation is to have perpetual existence.

ARTICLE VII

For the management of the business and for the conduct of the affairs of the Corporation, and in further creation, definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders, it is further provided:

- (1) The number of directors of the Corporation shall be fixed by, or in the manner provided in, the by-laws, but in no case shall the number be fewer than three (3) unless the Corporation has fewer than three shareholders. In this case the number of directors may be equal to the number of shareholders. The directors need not be stockholders.
- (2) In furtherance and not in limitation of the powers conferred by the laws of the Virgin Islands, and subject at all times to the provisions thereof, the Board of Directors is expressly authorized and empowered:

- (a) To make, adopt and amend the by-laws of the Corporation, subject to the powers of the stockholders to alter, repeal or modify the by-laws adopted by the Board of Directors.
- (b) To authorize and issue obligations of the Corporation, secured and unsecured, to include therein such provisions as to redeemability, convertibility or otherwise, as the Board of Directors in its sole discretion may determine, and to authorize the mortgaging or pledging of, and to authorize and cause to be executed mortgages and liens upon any property of the Corporation, real or personal, including after acquired property.
- (c) To determine whether any and, if any, what part of the net profits of the Corporation or of its net assets in excess of its capital shall be declared in dividends and paid to the stockholders, and to direct and determine the use and disposition thereof.
- (d) To set apart a reserve or reserves, and to abolish such reserve or reserves, or to make such other provisions, if any, as the Board of Directors may deem necessary or advisable for working capital, for additions, improvements and betterments to plant and equipment, for expansion of the business of the Corporation (including the acquisition of real and personal property for this purpose) and for any other purpose of the Corporation.
- (e) To establish bonus, profit-sharing, pension, thrift and other types of incentive, compensation or retirement plans for the officers and employees (including officers and employees who are also directors) of the Corporation, and to fix the amount of profits to be distributed or shared or contributed and the amounts of the Corporation's funds or otherwise to be devoted thereto, and to determine the persons to participate in any such plans and the amounts of their respective participations.
- (f) To issue or grant options for the purchase of shares of stock of the Corporation to officers and employees (including officers and employees who are also directors) of the Corporation and on such terms and conditions as the Board of Directors may from time to time determine.
- (g) To enter into contracts for the management of the business of the Corporation for terms not exceeding five (5) years.
- (h) To exercise all the powers of the Corporation, except such as are conferred by law, or by these Articles of Incorporation or by the by-laws of the Corporation upon the stockholders.
- (i) To issue such classes of stock and series within any class of stock with such value and voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as is stated in the resolution or resolutions providing for the issue of such stock adopted by the Board of Directors and duly filed with the office of the Lt. Governor of the Virgin Islands in accordance with Sections 91 and 97, Chapter 13, Virgin Islands Code, as the same may be amended from time to time.

ARTICLE VIII

No stockholder shall sell, convey, assign or otherwise transfer any of his or her shares of stock without first offering the same to the Corporation at the lowest price at which the stockholder is willing to dispose of the same; and the Corporation shall have thirty (30) days within which to accept same; the Corporation shall notify the stockholder of its election in writing. If accepted by the Corporation, the stockholder shall promptly assign the shares of stock to the Corporation, and the Corporation shall promptly pay therefor. If the Corporation rejects the offer, then the stockholder shall offer the stock to the remaining stockholders under the same terms as offered to the Corporation; and the remaining stockholders shall have thirty (30) days within which to collectively or individually accept the same in writing. If the remaining stockholders reject the offer, then the stockholder shall have the right to sell the stock at the same or a greater price than that at which it was offered to the Corporation. If the stockholder shall desire to sell the stock at a lesser price than that originally quoted to the Corporation, the stockholder must then repeat the process of offering the stock for sale to the Corporation and the stockholders in turn. Shares of stock in this Corporation shall not be transferred or sold until the sale or transfer has been reported to the Board of Directors and approved by them.

No stockholder shall pledge as collateral for indebtedness any shares of stock without first obtaining the written consent of a majority of the disinterested members of the Board of Directors of the Corporation.

ARTICLE IX

At all elections of directors, each stockholder shall be entitled to as many votes as shall equal the number of votes that (except for such provision as to cumulative voting) the stockholder would be entitled to cast for the election of directors with respect to his or her shares of stock multiplied by the number of directors to be elected. The stockholder may cast all votes for a single director or distribute them among any two or more of them as he or she may see fit. At least ten (10) days notice shall be given, however the shareholders are entitled to waive notice of the meeting as provided by law. Furthermore, the meeting and vote of stockholders may be dispensed with, if all of the stockholders who would have been entitled to vote upon the action if such meeting were held, shall consent in writing to such corporate action being taken.

ARTICLE X

Subject to the provisions of Section 71, Title 13, Virgin Islands Code, the Corporation may enter into contracts or otherwise transact business with one or more of its directors or officers, or with any firm or association of which one or more of its directors or officers are members or employees, or with any other corporation or association of which one or more of its directors or officers are stockholders, directors, officers, or employees, and no such contract or transaction shall be invalidated or in any way affected by the fact that such director or directors or officer or officers have or may have interests therein that are or might be adverse to the interests of the Corporation even though the vote of the director or directors having such adverse interest is necessary to obligate the Corporation on such contract or transaction, provided that in any such case the fact of such interest shall be disclosed or known to the directors or stockholders acting on or in reference to such contract or transaction. No director or directors or officer or officers having such disclosed or known adverse interest shall be liable to the Corporation or to any stockholder or creditor thereof or to any other person for any loss incurred by it under or by reason of any such contract or transaction, nor shall any such director or directors or officer or officers be accountable for any gains or

profits realized thereon. The provisions of this Article shall not be construed to invalidate or in any way affect any contract or transaction that would otherwise be valid under law.

ARTICLE XI

- (a) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he or she is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit, or proceeding if:
- (1) he or she acted
 - (A) in good faith and
 - (B) in a manner reasonably believed to be in or not opposed to the best interests of the Corporation; and
 - (2) with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful.

The termination of any action, suit, or proceeding by judgment order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

- (b) The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action or suit by or in the right of the officer, employee, or agent of the Corporation, or is or was serving at the request of the venture, trust, or other enterprise against expenses (including attorney's fees) actually and reasonably incurred by him or her in connection with the defense or settlement of such action or suit if he or she acted:
- (1) in good faith; and
 - (2) in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation.

However, no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Corporation unless and only to the extent that the court in which such action or suit is brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper.

- (c) To the extent that a director, officer, employee, or agent of the Corporation has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in subparagraphs (a) and (b), or in defense of any claim, issue, or matter therein, he or she shall be indemnified

against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection therewith.

- (d) Any indemnification under subparagraphs (a) and (b) (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that he or she had met the applicable standard of conduct set forth in subparagraphs (a) and (b). Such determination shall be made:
 - (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit, or proceeding; or
 - (2) if such a quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or
 - (3) by the stockholders.
- (e) Expenses incurred in defeating a civil or criminal action, suit, or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit, or proceeding as authorized by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amounts unless it shall ultimately be determined that he or she is entitled to be indemnified by the Corporation as authorized in this article.
- (f) The indemnification provided by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such person.
- (g) The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Corporation would have the power to indemnify him or her against such liability under the provisions of this Article.

ARTICLE XII

The Corporation reserves the right to amend, alter or repeal any of the provisions of these Articles of Incorporation and to add or insert other provisions authorized by the laws of the Virgin Islands in the manner and at the time prescribed by said laws, and all rights at any time conferred upon the Board of Directors and the stockholders by these Articles of Incorporation are granted subject to the provisions of this Article.

IN WITNESS WHEREOF, we have hereunto subscribed our names this ____ day of January, 2013.

Jeffrey E. Epstein, Incorporator

Darren K. Indyke, Incorporator

Jeanne Brennan, Incorporator

TERRITORY OF THE UNITED STATES VIRGIN ISLANDS)
DISTRICT OF ST. THOMAS AND ST. JOHN)

The foregoing instrument was acknowledged before me this ____ day of January, 2013, by Jeffrey E. Epstein, Darren K. Indyke, and Jeanne Brennan.

Notary Public

APPENDIX 2

Identity and Business History of Applicants

Jeffrey E. Epstein is the initial investor in FSG.

Identifying Information:

Address: 6100 Red Hook Quarter B-3, St. Thomas, VI 00802

TIN: [REDACTED]

Date of Birth: [REDACTED]

Business History of Applicant:

Mr. Epstein's was educated at The Cooper Union for the Advancement of Science and Art, before beginning his business career in 1976 at Bear Stearns & Company. He subsequently started his own financial consulting firm in 1981, which he eventually brought to the U.S. Virgin Islands in 1999, when he opened Financial Trust Company, Inc. ("FTC"). Mr. Epstein is the Chairman, President and sole shareholder of FTC, a financial consulting firm that has been an EDC beneficiary for the past 13 years. In addition to his and FTC's significant contributions to the U.S. Virgin Islands economy over the past 12 years, Mr. Epstein, FTC and the philanthropic foundation he funded and organized have given over \$2.3 million to U.S. Virgin Islands charitable interests, including \$1.1 Million to educational pursuits, and scholarship and enrichment programs, and approximately \$650,000 to local U.S. Virgin Islands charities and U.S. Virgin Islands youth sporting organizations. His foundation has continued to provide opportunities for scientific and technological exploration and development in the U.S. Virgin Islands by sponsoring several scientific symposiums in the U.S. Virgin Islands enabling local interaction among Nobel Laureates and faculty, postdoctoral researchers, graduate and undergraduate students, educators and the public.

Mr. Epstein is universally renowned for his complex mathematics skills and is an experienced entrepreneur who has built several highly profitable companies. He has successfully transferred these abilities 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 biomedical and financial analysis. His relationships in the upper echelon of research and academia and advanced knowledge of both science and mathematics will enable the Applicant to thrive in this technology-based environment.

Mr. Epstein has been a Trustee of Institute of International Education Inc. since October 2001. Mr. Epstein is a Member of the Trilateral Commission, the Council on Foreign Relations, the New York Academy of Science and a former Rockefeller University Board Member. Mr. Epstein is also actively involved in the Santa Fe Institute, the Theoretical Biology Initiative at the Institute for Advanced Study, the Quantum Gravity Program at the University of Pennsylvania, and also sits on the Mind, Brain & Behavior Advisory Committee at Harvard. He is a member of the *Edge* community, an internationally respected group of thinkers and achievers.

APPENDIX 3

Principal Place of Business In USVI

FSG has not yet determined where it will be located, however it is anticipated that it will need approximately 500 – 1,000 square feet of space.

APPENDIX 4

Statement of Assets and Liabilities

APPENDIX 5
Directors And Officers

[need list]

APPENDIX 6

Statutory Commitments

FSG commits to the following statutory requirements as required by Title 9, chapter 25, §738.

- To expend a minimum of FIFTY THOUSAND DOLLARS (\$50,000.00), exclusive of inventory, in the business related to banking;
- To comply with all federal and local laws;
- To employ or contract with Virgin Islands businesses and residents to the extent available;
- To notify the Department of Labor as to the availability of employment;
- To purchase insurance locally to the extent available;
- To provide educational assistance to residents of the U.S. Virgin Islands through the J. Epstein Virgin Islands Foundation a/k/a Enhanced Education in the form of an annual Ten Thousand Dollar (\$10,000.00) donation to the Virgin Islands Board of Education to fund scholarships in accordance with §736(c).

APPENDIX 7

Waiver

Title 9, chapter 35, §727(a) requires FSG to employ three persons on a full-time basis at its main office. Section 738 requires that FSG hire one additional employee for every \$1,000,000 of net income prior to salaries. Pursuant to §727(a) however, the Director has the ability to waive this requirement and authorize a lesser number of employees.

FSG respectfully requests that the requirement that FSG hire one additional employee for every \$1,000,000 of net income be waived. This requirement should be waived due to the fact that the activities to be undertaken by FSG, although they may be profitable, are not labor intensive. This is especially true during the "ramping up" period when FSG is determining which portions of its proposed business will be the most profitable. [insert additional language]

APPENDIX 8

Management Training Plan

Cecile – can you please revamp the STC management training plan or the FTC plan for submission.

APPENDIX 9

Type of Business to be Undertaken

To be inserted by EAK.