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December 28, 2012

Ms. Margarita Greenidge Benjamin
Director of Applications
Economic Development Authority
1055 Norre Gade
St. Thomas, VI 00802

Re: Southern Trust Company, Inc.

Dear Ms. Benjamin:

By letter dated December 21, 2012 you requested additional information in order to complete the review of the application of Southern Trust Company, Inc. ("STC") for benefits from the Economic Development Commission ("EDC"). We have addressed all the questions raised in your correspondence below. However, should you require further clarification, please let me know.

1. Summary of Financial Applications of Data Mining

A. Use of Data Mining in Finance

Currently, banks and other financial institutions maintain huge electronic data repositories. Valuable bits of information are embedded in these data repositories, but the huge size of these data sources makes it impossible for human analysts to come up with insightful information or patterns that will help in the decision making process. Data mining can solve business problems in banking and finance by finding patterns, causalities and correlations in business information and market prices that are not immediately apparent to managers because the volume data is too large or is generated too quickly to screen by experts. Financiers can use data mining algorithms to find sequences and episodes of the transaction behavior of their customers which can help them better segment, target, acquire, retain and maintain a profitable customer base. They can also use data mining to generate a prediction as to how the stock market will act as a result of certain factors. Until now, despite the fact that decades of historical data have been collected and stored, people have been unable to capitalize on the value of that data because the information needed from all of that data is difficult to isolate and evaluate. Data mining through the use of algorithms is designed to help people find patterns from historic data that have probable predictive capability for financial decisions.

B. Use of Data Mining by STC for Financial Application

As Mr. Epstein explained during the public hearing, the current process of giving financial advice has become somewhat antiquated. The use of data mining, mathematics, and financial algorithms is an innovative option to the personal judgment of financial advisors. STC will create algorithms that will search millions of bits of information for predictive information and will sell or otherwise transfer those algorithms to third parties who will use those algorithms in their own businesses. In addition STC will allow third parties to invest directly in the algorithms that it creates.

To be clear, it is the intention of STC to build both components of the business, biomedical applications and financial applications. However, the speed with which the biomedical product will ramp up is predicted to be slower than the financial product because this approach in biomedical applications is fairly new and slightly more complex than the use of data mining in financial applications.

2. DNA Services

It is anticipated that the retailing of DNA services to individual consumers will take place via the Internet. All DNA testing services will be provided by third party providers.

3. Revised Five-Year Projection

Please note that a revised five-year projection has been included for your review which breaks down the fee income between the biomedical and financial components of STC's business. As previously noted in prior correspondence to you, the investment income line item references gains made by STC in investing in its own algorithms to test them. The revised projections have been included with this correspondence as well.

4. Use of Non-resident Employees

STC will comply with Title 29, section 710(b) of the Virgin Islands Code and will pay an annual fee to the Territorial Scholarship Fund for each non-resident employee that causes it to not meet the 80% residency requirement.

5. Waiver of Full-time Employment Requirement

Mr. Epstein's position is included in the six positions provided for in the application. While he may be employed by STC he will not be considered an employee for purposes of meeting the five full time employment requirement. Hence, the total number of positions to be counted toward the full time employment requirement is five.

Should you have any questions or require any additional information, please do not hesitate to contact me.

Very truly yours,

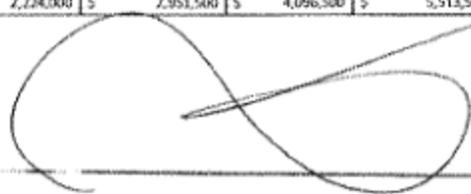


Erika Kellerhals

**Income and Expense Statements
Five Year Projection**

APPENDIX 37

	Year 1	Year 2	Year 3	Year 4	Year 5	Average 5 years
REVENUES:						
Fee income - biomedical informatics	\$ 1,500,000	\$ 1,600,000	\$ 2,250,000	\$ 2,925,000	\$ 3,801,000	\$ 2,455,600
Fee income - financial informatics	\$ 1,500,000	\$ 1,800,000	\$ 2,250,000	\$ 2,925,000	\$ 3,801,000	\$ 2,455,600
Investment income, net	\$ 100,000	\$ 104,000	\$ 108,000	\$ 112,000	\$ 117,000	108,200
TOTAL REVENUES	\$ 3,100,000	\$ 3,704,000	\$ 4,608,000	\$ 5,962,000	\$ 7,721,000	\$ 5,019,400
OPERATING EXPENSES:						
Labor Costs(Full-time Employment)						
Salaries and wages	\$ 610,000	\$ 641,000	\$ 760,000	\$ 961,000	\$ 1,249,000	\$ 846,000
Payroll taxes	\$ 38,000	\$ 40,000	\$ 48,000	\$ 60,000	\$ 79,000	\$ 53,000
Employee benefits	\$ 165,000	\$ 110,000	\$ 129,000	\$ 157,000	\$ 196,000	\$ 138,400
TOTAL LABOR COSTS	\$ 753,000	\$ 791,000	\$ 937,000	\$ 1,178,000	\$ 1,524,000	\$ 1,017,400
Local Purchase of Goods and Services						
Occupancy costs	\$ 119,000	\$ 124,000	\$ 129,000	\$ 134,000	\$ 139,000	\$ 129,000
Advertising and marketing	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	100,000
Research and development	\$ 60,000	\$ 66,000	\$ 79,000	\$ 48,000	\$ 20,000	\$ 56,400
Charitable and other contributions	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000	\$ 56,000
Utilities and telecommunications	\$ 70,000	\$ 73,000	\$ 76,000	\$ 79,000	\$ 82,000	\$ 76,000
Professional services	\$ 55,000	\$ 57,000	\$ 59,000	\$ 62,000	\$ 64,000	\$ 59,400
Office supplies and postage	\$ 30,000	\$ 31,000	\$ 32,000	\$ 34,000	\$ 35,000	\$ 32,400
Insurance	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
EDC annual fees	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Dues, subscriptions and licenses	\$ 4,000	\$ 4,000	\$ 4,000	\$ 4,000	\$ 5,000	\$ 4,200
Training	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Section 710(b)expense	\$ 5,000	\$ 2,500	\$ -	\$ -	\$ -	\$ 1,500
Travel	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
IT- repairs and maintenance	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
TOTAL LOCAL EXPENSES	\$ 567,000	\$ 581,500	\$ 601,000	\$ 585,000	\$ 578,000	\$ 582,900
Expenses Other Than Local						
Professional subscriptions	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Dues, subscriptions and licenses	\$ 30,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
Professional services	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
TOTAL NON-LOCAL EXPENSES	\$ 107,500					
TOTAL OPERATING EXPENSES	\$ 1,427,500	\$ 1,480,000	\$ 1,656,500	\$ 1,865,500	\$ 2,209,500	\$ 1,727,800
NET PROFIT BEFORE TAXES	\$ 1,672,500	\$ 2,224,000	\$ 2,951,500	\$ 4,096,500	\$ 5,511,500	\$ 3,291,600



APPENDIX 37

FIVE YEAR PROJECTION ASSUMPTIONS

Fee Income: Assumes a growth rate of 20% - Year 2, 25% - Year 3, 30 % - Year 4, 30% - Year 5

Revenues include the following:

- Revenues derived from clients who request that STC build algorithms for their own use or that STC process the algorithms on their behalf and provide comprehensive results to the client;
- Revenues derived for managing the algorithms and tailoring the algorithms in response to availability of new information;
- Revenues derived from third-party clients who wish to license the use of algorithms from STC

Investment Income: includes income generated by STC by investing in its own algorithms. The projected income assumes a ten percent (10%) return on investment.

Labor Costs: Based on 6 employees - Year 1 and 2, 7 employees - Year 3, 8 employees - Year 4, 10 employees - Year 5. Assumes an annual salary and employee benefit cost increase of five percent (5%).

Local Purchase of Goods and Services: Assumes an annual cost increase of four percent (4%) where applicable.

Occupancy costs: Based on 3,000 square foot office space at \$38 a square foot.

Charitable and other contributions: Based on \$50,000 annual contributions, \$3,000 BOE and \$2,500 Section 5 of Act No. 7301.