



KELLERHALS FERGUSON FLETCHER KROBLIN LLP

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October 25, 2012

Ms. Margarita A. Greenidge-Benjamin
Director of Applications
U.S. Virgin Islands Economic Development Authority
5055 Norre Gade
St. Thomas, VI 00802

Re: Southern Trust Co., Inc.

Dear Ms. Benjamin:

In response to your letter of October 17, 2012, please find attached the following information that is intended to supplement the Southern Trust Company, Inc. ("STC") application for benefits from the Economic Development Commission ("EDC"):

- The Truth Statement and Release Authorization, a copy of which was previously provided to the EDC.
- A bank reference letter for Mr. Jeffrey E. Epstein, a copy of which was previously provided to the EDC.
- A revised management-training plan that details the use of the \$10,000 per annum budget. Please note that the budget of \$10,000 has been incorporated into the revised five-year projection under the line item "Training".
- Revised five-year projection with assumptions.
- Breakdown of local versus non-local purchases for capital investment.
- Executed Form 8821

STC will provide all full-time employees with life insurance in the amount of \$50,000. In addition, STC will comply with the provisions of Section 5 of Act No. 7301.

Finally, I have been in contact with Mr. Handleman and Ms. Nugent-Hill regarding the submission of Mr. Epstein's tax returns. As discussed with Mr. Handleman, we will make copies of Mr. Epstein's tax returns available for inspection at your convenience in our offices. In addition, I will forward a completed set of Mr. Epstein's tax returns in a sealed envelope to Mr. Handleman with the understanding that these documents will be treated as confidential under the provisions of Title 3, section 881 and shall not be released by the EDC unless otherwise ordered by a court or by the lawful custodian of the records.

Very truly yours,

Erika Kellerhals

TRUTH STATEMENT On the basis of information presented in this application and the accompanying attachments, applicant requests the Industrial Development Commission grant to the applicant, Economic Development Commission benefits provided by the title 29 chapter 12 of the Virgin Islands Code as amended. "Under penalties of perjury I hereby certify that all the above information, as well as accompanying documents, are true and complete to the best of my knowledge, information and belief. If information submitted changes I understand that I am obligated to inform the Economic Development Commission."

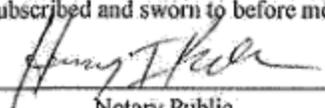
NAME OF APPLICANT Southern Trust Company, Inc.

AUTHORIZED SIGNATURE 

TITLE President

DATE 9/20/12

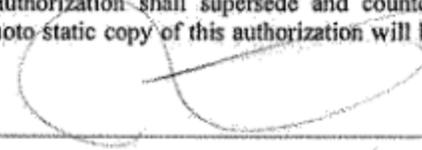
Subscribed and sworn to before me this 20th day of September, 2012


Notary Public

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

RELEASE AUTHORIZATION To All Courts, Probation Departments, Selective Service Boards, Employers, Educational Institutions, Banks, Financial and Other Such Institutions, and All Governmental Agencies - federal, state and local, without exception, both foreign and domestic.

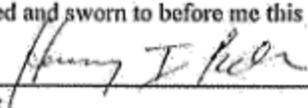
On Behalf of Southern Trust Company, Inc., I, Jeffrey E. Epstein, have authorized the Virgin Islands Economic Development Commission or its designee to conduct a full investigation into the background of the said enterprise. Therefore, you are hereby authorized to release any and all information pertaining to the said enterprise, documentary otherwise, as requested by any employee or agent of the Virgin Islands Economic Development Commission or its designees, provided that he or she certifies to you that said enterprise has an application pending before the Economic Development Commission or that said enterprise is presently a licensee or registrant requirement to be qualified under the provisions of Title 29 VIC Chapter 12 701726. This authorization shall supersede and countermand any prior request or authorization to the contrary. A photo-static copy of this authorization will be considered as effective and valid as the original.

AUTHORIZED SIGNATURE 

TITLE President

DATE 9/20/12

Subscribed and sworn to before me this 20th day of September, 2012


Signature

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

J.P.Morgan

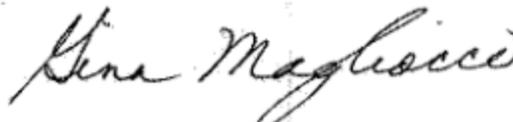
Mr. Percival Clouden
Chief Executive Officer
Economic Development Authority
116 King Street
Frederiksted, St. Croix
U.S. Virgin Islands 00840

Dear Mr. Clouden,

At the request of Jeffrey Epstein, we are pleased to inform you that JPMorgan Private Bank has maintained a banking relationship with him for 20 years. The Bank's relationship with him has been satisfactory.

The information in this letter is provided as an accommodation to the addressee. The information provided herein is furnished on the condition that it is strictly confidential, that no liability or responsibility whatsoever in connection herewith shall attach to the Bank or any of its officers, employees, or agents, that this letter makes no representations regarding the general condition of the subject or his future ability to meet his obligations, and that any information provided is subject to change without notice.

Best Regards,



Gina Magliocco
Client Service Associate



500 Stanton Christiana Road, Newark, Delaware 19713-2107

J.P. Morgan Services, Inc. as agent
for JPMorgan Chase Bank, N.A.

EFTA01110851

APPENDIX 47

MANAGEMENT TRAINING PLAN

An important element of the Applicant's sustainability and success is the development of leadership and management capacity throughout the Applicant's organization.

Successful staff development requires that the Applicant provide a structured training plan which involves management and/or professional development in the area for which the staff members are employed, such as general management, finance, research, legal, accounting and clerical, while at the same time ensuring that staff members are each fulfilling a clearly defined role within the Applicant's organization.

Trainees will be appointed to an established position, and over the period of their development program will be expected to undertake all the work for that position. They will receive 'on the job' training and their review process will include the setting of work objectives against which their progress can be monitored. The number of roles identified as being suitable for management trainees, as compared to other general administrative or technical roles, is expected to be limited.

Recruitment to management trainee roles is open to all qualified staff members. A process will be followed to identify and appoint those individuals who display the attributes and competencies required to achieve their expected potential through the acquisition of a core set of transferable skills and professional competencies.

The attributes and competencies for management training are as follows:

- A high degree of initiative, resourcefulness, flexibility and a self-motivating approach to achieve both business objectives and personal success in order to succeed as a senior manager.
- Conceptual and innovative thinking that informs an analytical approach to complex problems and comprehension of practical options and solutions.
- The ability to communicate clearly and effectively through oral and presentational skills as well as excellent writing skills.
- Potential to develop a successful career as a professional or manager and a leader.
- The ability to acquire the requisite professional and technical skills to succeed as a manager.

- Taking personal responsibility for one's own development and having a commitment to study towards further academic and or professional qualifications.
- The ability to motivate and encourage others to achieve targets and the ability to work towards common goals.
- Good team working skills.

The normal expectation is that each individual chosen for a management trainee role will have a degree, which provides a platform to demonstrate the individual's intellectual ability and the potential to progress as a senior manager. However, it is recognized that in some specialist roles other forms of professional qualifications with a combination of relevant experience and a successful record of career progression could provide a similar indication. Management trainees will demonstrate progress by actually doing their assigned duties and fulfilling their assigned tasks at the same time they are undertaking their development program.

Identifying Opportunities

Approval for management trainee positions will be through a process conducted by the President and Chief Executive Officer. The President and CEO will construct a "business case" (as described below) and will have final approval prior to proceeding with recruitment. This will allow for a consistent approach towards future development and training as well as ensure compliance with employment laws.

The business case should, among other things:

- Describe the role the trainee will be filling with the Applicant.
- Explain why a trainee role is being proposed;
- Demonstrate the need to recruit staff with aptitude, potential and desire to progress and succeed - Strengthen team expertise and / or specialist knowledge;
- Allow other employees to experience different work through role rotation
- Provide for succession planning;
- Identify the need for new managers to progress in these areas given the strategic requirements;
- Explain the opportunities arising through restructuring;
- Explain how the trainee's role fits with the Applicant's objectives;
- Include an outline of a development plan, including examples of typical on the job training;

- Identify appropriate additional qualifications which the trainee would be required to obtain as part of the development plan;
- Identify clear objectives and expectations of the position, as well as any immediate tasks and responsibilities; and
- Identify effective supervision and/or management in place to develop the management trainee, in line with the development plan, to meet the expectations required for career progression.

It is expected that those chosen as management trainees will be encouraged and supported by the President and CEO in attending and participating fully in appropriate development courses, such as those provided by:

- The University of the Virgin Islands
- Accredited E- Learning Courses and Webinars
- And other professional development bodies.

In some cases it may be appropriate for the trainee to undertake further academic or professional qualifications during the period of the training program.

Identifying Employee Training Needs

It will be necessary for the Applicant to conduct a job task analysis of the employee (or group of employees) identified as having training needs. In order to provide effective training, it's necessary to know exactly what the expectations are for the job. Some of this information can be gathered by observation and by asking employees to provide verbal or written descriptions of what their jobs entail.

The Applicant should compare employee performance to the job expectations and identify the areas in which there are discrepancies. The Applicant should also identify whether the discrepancy is due to work process issues, such as not knowing how to complete a specific task, or personnel issues, such as not wanting to complete a specific task. Work process issues can be addressed with employee training.

The Applicant should schedule a meeting with all of the employees involved, asking them to bring with them lists of what they consider to be the top five areas in which they feel more training is needed. The lists, as well as supervisory staff's own observations, should be shared.

The Applicant will prioritize training needs as a group, taking into account that those that have an immediate effect on business performance or employee safety are the most important. The Applicant will cause its President and CEO

and supervisors to discuss the Applicant's goals with employees. Knowing the desired outcome can assist employees to express what they need to know in order to help the Applicant achieve its goals.

Key Elements of a Management Trainee Development Plan

The Key Elements of a Management Trainee Development Plan ("TDP") include the following:

Employee Profile - name, position title, office, grade/pay scale, as well as:

- Career goals – short and long-term goals with estimated and actual completion dates
- Pre-Planning
- Employee / Meetings
- Evaluation of Outcomes
- Preparation of the TDP
- Implementation of the TDP

Development objectives – linked to work mission/goals/objectives and the employee's development needs and objectives.

Training and development opportunities – specific formal classroom training, workshops, rotational assignments, shadowing assignments, on-the-job training, self-study programs and professional conferences/seminars that the employee will pursue with estimated and actual completion dates.

Summary of Training Process

The objective of the Management Training Program is to develop employees into strong operational and financial managers. The program is designed to ease the transition from the trainee's current position into a new position.

Month 1:

Assigned to a manager where trainee will complete his/her initial training

Introduced to the Applicant's staff as a management trainee

Rotate through areas throughout company to gain an understanding of the complexity of the operation.

Months 2-7:

Complete training program for assigned area

Train and work as an employee in the area

Participate in management meetings

Learn management responsibilities for the position. Complete management projects as assigned .

Performance evaluation given at 90 days by the President and CEO

Assigned a Mentor to assist with career development

Complete at least sixty hours of in class or on-line course work associated with trainee role.

Months 7-12:

Transfer to a new area for training.

Complete training program for assigned area.

Train and work as an employee in the area.

Participate in management meetings.

Learn management responsibilities for the position.

Complete management projects as assigned.

Complete at least sixty hours of in class or on-line course work associated with trainee role.

Review Process

The President and CEO will undertake quarterly reviews of progress. These reviews will focus on the extent to which the trainee is progressing in the role, review progress within the agreed training and development program, and monitor progress towards and achievement of agreed objectives.

Budget

Applicant has established a budget of \$10,000 per year for training. These amounts will be expended on in class and online course work in addition to self-study programs and professional conferences.

APPENDIX 37

FIVE YEAR PROJECTION ASSUMPTIONS

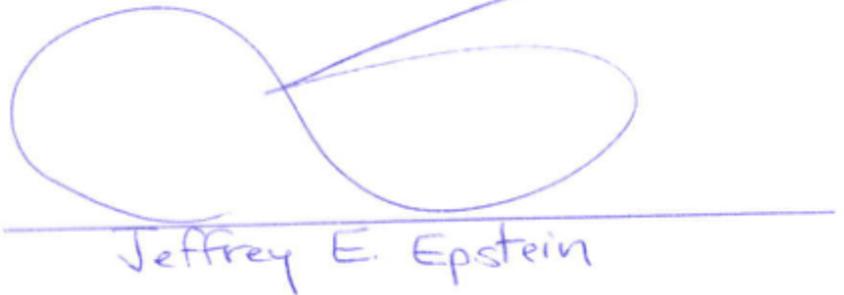
Fee Income: Assumes a growth rate of 20% - Year 2, 25% - Year 3, 30 % - Year 4, 30% - Year 5

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 5%.

Local Purchase of Goods and Services : Assumes an annual cost increase of 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 of annual contributions, \$3,000 BOE and \$2,500 Section 5 of Act No. 7301.



Jeffrey E. Epstein

**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	\$ 3,000,000	\$ 3,600,000	\$ 4,500,000	\$ 5,850,000	\$ 7,605,000	\$ 4,911,000
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	\$ 7,722,000	\$ 5,019,200
OPERATING EXPENSES:						
Labor Costs(Full-time Employment)						
Salaries and wages	\$ 610,000	\$ 641,000	\$ 769,000	\$ 961,000	\$ 1,249,000	\$ 846,000
Payroll taxes	\$ 38,000	\$ 40,000	\$ 48,000	\$ 60,000	\$ 79,000	53,000
Employee benefits	\$ 105,000	\$ 110,000	\$ 129,000	\$ 152,000	\$ 196,000	138,400
TOTAL LABOR COSTS	\$ 753,000	\$ 791,000	\$ 946,000	\$ 1,173,000	\$ 1,524,000	\$ 1,037,400
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	\$ 29,000	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
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	\$ 562,000	\$ 579,000	\$ 603,000	\$ 585,000	\$ 578,000	\$ 581,400
Expenses Other Than Local						
Professional subscriptions	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	2,500
Dues, subscriptions and licenses	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	55,000
Professional services	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	50,000
TOTAL NON-LOCAL EXPENSES	\$ 107,500					
TOTAL OPERATING EXPENSES	\$ 1,422,500	\$ 1,477,500	\$ 1,656,500	\$ 1,865,500	\$ 2,209,500	\$ 1,726,300
NET PROFIT BEFORE TAXES	\$ 1,677,500	\$ 2,226,500	\$ 2,951,500	\$ 4,096,500	\$ 5,512,500	\$ 3,292,900

Jeffrey E. Epstein

Type of Investment	Amount Local	Amount Non- Local	Total
Building & Improvements	\$ -	\$ -	\$ -
Leasehold Improvements	130,000	\$ -	130,000
Machinery / Equipment	150,000	\$ -	150,000
Furniture / Fixtures	55,000	\$ -	55,000
Vehicles	65,000	\$ -	65,000
Total	\$400,000	\$ -	\$400,000

Tax Information Authorization

▶ Do not sign this form unless all applicable lines have been completed.
 ▶ Do not use this form to request a copy or transcript of your tax return.
 Instead, use Form 4506 or Form 4506-T.

1 Taxpayer information. Taxpayer(s) must sign and date this form on line 7.

Taxpayer name(s) and address (type or print) Jeffrey E. Epstein 6100 Red Hook Quarter B3 St. Thomas, VI 00802		Taxpayer identification number [REDACTED]
		Daytime telephone number [REDACTED]
		Plan number (if applicable)

2 Appointee. If you wish to name more than one appointee, attach a list to this form.

Name and address Director of Legal & Legislative Affairs US Virgin Islands Economic Development Authority 5055 Norre Gade, St. Thomas, VI 00802	CAF No. _____ PTIN _____ Telephone No. [REDACTED] Fax No. _____ Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
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3 Tax matters. The appointee is authorized to inspect and/or receive confidential tax information in any office of the IRS for the tax matters listed on this line. Do not use Form 8821 to request copies of tax returns.

(a) Type of Tax (Income, Employment, Excise, etc.) or Civil Penalty	(b) Tax Form Number (1040, 941, 720, etc.)	(c) Year(s) or Period(s) (see the instructions for line 3)	(d) Specific Tax Matters (see instr.)
Income	1040	2012	

4 Specific use not recorded on Centralized Authorization File (CAF). If the tax information authorization is for a specific use not recorded on CAF, check this box. See the instructions on page 4. If you check this box, skip lines 5 and 6 . . . ▶

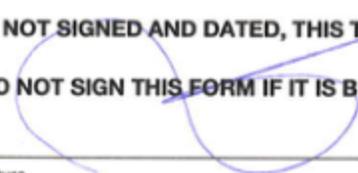
5 Disclosure of tax information (you must check a box on line 5a or 5b unless the box on line 4 is checked):
 a If you want copies of tax information, notices, and other written communications sent to the appointee on an ongoing basis, check this box . . . ▶
Note. Appointees will no longer receive forms, publications and other related materials with the notices.
 b If you do not want any copies of notices or communications sent to your appointee, check this box . . . ▶

6 Retention/revocation of tax information authorizations. This tax information authorization automatically revokes all prior authorizations for the same tax matters you listed on line 3 above unless you checked the box on line 4. If you do not want to revoke a prior tax information authorization, you must attach a copy of any authorizations you want to remain in effect and check this box . . . ▶
 To revoke this tax information authorization, see the instructions on page 4.

7 Signature of taxpayer(s). If a tax matter applies to a joint return, either husband or wife must sign. If signed by a corporate officer, partner, guardian, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute this form with respect to the tax matters/periods on line 3 above.

▶ IF NOT SIGNED AND DATED, THIS TAX INFORMATION AUTHORIZATION WILL BE RETURNED.

▶ DO NOT SIGN THIS FORM IF IT IS BLANK OR INCOMPLETE.

Signature  _____ Jeffrey E. Epstein	Date 10-23-12 _____	Signature _____	Date _____
Print Name _____	Title (if applicable) _____	Print Name _____	Title (if applicable) _____
<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> PIN number for electronic signature		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> PIN number for electronic signature	