

## **BILLING**

1) Currently George Delson bills a retainer of 10,000 a month or 120,000 per annum to you personally. He then attempts to bill another 130,000 in lumps of 60,000 and 70,000 per his understanding of a 250,000 annual agreement. (see attached billing history)

2) Open billing items for your meeting with Larry Delson:

a) 65,000 they attempted to bill FTC per 250,000 annual agreement which relates to tax year 2010.

b) March 2012 monthly retainer (to date we have paid \$20,000) For 2011 tax year at this point their work has only been 1099's filed for 4 entities and approximately 20 tax return extensions due March 15.

c) We currently have 250,000 (paid 6/1/2007) on your personal JEE balance sheet coded as George Delson - Escrow. We never expensed which I assume George never picked up as income. How should we handle?

3) Alan Diugash will bill us quarterly (January, April, July & October) based on hourly rates. Rates from initial meeting (which I need to confirm) are as follows:

Alan - Partner \$550 per hour

Manager - \$300-350 per hour

Lower Level \$150 per hour

4) I project that Alan's cost should be between \$125,000 - \$150,000 per annum. We should talk about which entities he will bill to ensure we maximize deduction for accounting fees

## **QUESTIONS / ISSUES**

**1) David Mitchell Investments - NYS Tax Filing requirements**

a) Current condo project - Lofts 21 - Are we required to file NYS & NYC Tax Returns based on NY Real Property Investment?

b) Potential Investment - 183 Columbia Heights - Are we required to file NYS & NYC Tax Returns based on NY Real Property Investment?

I have some concerns about 183 Columbia Heights that I will send under a separate email and would like to discuss when you are in NY next week

**2) Entities to dissolve?**

a) Nine East 71st Street Corp - used to hold title to 71st street

b) NYSG LLC - must deal with JEE Loan Payable 4,273,011 & DKI Loan Receivable 1,135,000

c) Freedom Air - once Bell 407 is sold?

d) Zorro Trust - used to hold title to Zorro - close once leases are transferred

e) COUQ - Cash 191

f) Epstein Interests - Cash 111,000

**3) Aviation Entities**

a) Accounting method - currently all aviation entities take depreciation yet never received benefit due to accounting method of zeroing everything out

b) Do entities with current accounting method satisfy 1031 requirements?

c) Bell 430 - can we transfer to Plan D so that no entity holds more than 1 asset

**4) Do USVI S Corps that hold title to property in Florida, New Mexico & NY have state filing requirements?**

**5) Property Taxes - Should we pay from operating entity or title company (currently no banking has been setup for title companies)**

a) New Mexico - Zorro Trust used to pay - should it be Zorro Development (operating co) or Cypress (title)

b) New York - NES LLC currently pays - should it be NES LLC (operating co) or Maple (title)

c) LSJ - LSJ LLC used to pay - should it be LSJ Employees LLC (operating co) or Nautilus (title)

d) Florida - JEE used to pay - should it be Neptune LLC (operating co) or Laurel (title)

**6) JEE Days - Will new accountant track as well as Lesley?**

**George Delson**  
**Accounting Fee Analysis**  
**2006 - 2012**

<b>ENTITY</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Totals</b>
JEE - Monthly retainer	60,000	60,000	120,000	120,000	120,000	120,000	20,000	620,000
JEE - Additional fees		100,000	65,000	30,000				195,000
JEE - Escrow (paid 6/1/2007)		250,000						250,000
NYSG LLC paid 12/19/2005---->	200,000		30,160					230,160
COUQ			20,054	9,147				29,201
Enhanced Education				9,047	7,500			16,547
Epstein Interests			15,139	4,126				19,265
FTC		75,000	105,176	65,078	60,000			305,254
JEGE					15,000			15,000
Hyperion Air			8,020	5,007	20,000			33,027
GM - Aircraft Transactions - July 2011						65,000		65,000
Zorro Development Corp	-	-	7,054	3,022	-	-	-	10,076
<b>TOTALS</b>	<b>260,000</b>	<b>485,000</b>	<b>370,603</b>	<b>245,427</b>	<b>222,500</b>	<b>185,000</b>	<b>20,000</b>	<b>1,788,530</b>

Entity Name	Type	State	Tax ID #	Year End	Extension Due with		Ownership	Notes
					Due	Ext		
<b>JEE PERSONAL</b>								
Jeffrey E. Epstein	1040	USVI	090-44-3348	31-Dec	15-Apr	31-Dec	JE	K-1 from American Yacht Harbor
Jeffrey E. Epstein	Estimated Taxes (if applicable)				15-Apr 15-Jun 15-Sep 15-Jan			
Jeffrey E. Epstein	709 - Gift Tax			31-Dec	15-Apr	31-Dec		2011 & 2012 exemption is \$5mm so no tax should be due
Jeffrey E. Epstein	Paris Wealth Tax Return			31-Dec		31-Aug		F.-M. RICHARD et Associés - French acc firm Contact: Yves-André GEISMAR Té l : 01 53 93 60 70 Fax : 01 45 63 88 34 ya.geismar@fm-richard.fr
Jeffrey E. Epstein	FBAR (Form TD F 90-22.1)			31-Dec		30-Jun		Accounts a) BNP Paribas b) Volartis - closed Jan 2012 c) new accounts ??
<b>JEE INVESTMENTS / OTHER</b>								
Financial Trust Company, Inc.	S Corp	USVI	66-0567418	31-Dec	15-Mar	15-Sep	JE	Owns the following partnerships: a) AP Technology b) AP SHL Investor c) Tudor Futures d) Highbridge HB Multistategy e) ML Hertz f) Prentice Capital Residual Interest g) Renaissance h) Bear Stearns Asset Backed
Other FTC Assets a) JPM Trading Account b) Environmental Solutions Stock c) Equities in JPM Account								
Jeepers, Inc.	Qualified Subchapte S Subsidiary	USVI	66-0629193	N/A	N/A	N/A	JE	formed 8-18-03 subsidiary of FTC and owns investment in DB Zwirn - approx 76,000,000 settlement
FT Real Estate, Inc.	C Corp	USVI	66-0695228	31-Dec	15-Mar	15-Sep	JE	Business Activity & Service - Title Holding Capital Loss Carryover 105,626 Merrill Lynch Account: 83,300 Invested 920,500 - David M - NYC Real Estate Advancestar LLC a Delaware LLC and Lofts 21, a NY LLC
CDE, Inc.	S Corp	USVI	66-0765504	31-Dec	15-Mar	15-Sep	JE	Officers: JE-Pres; DI-Secretary; RK-Treasurer Formed to take title to Little Saint James Island Erika Kellerhals is Agent Directors are JE, RK and DI Incorporated April 28, 2011

<u>Entity Name</u>	<u>Type</u>	<u>State</u>	<u>Tax ID #</u>	<u>Year End</u>	<u>Extension Due with</u>		<u>Ownership</u>	<u>Notes</u>
					<u>Due</u>	<u>Ext</u>		
Financial Infomatics, Inc.	C Corp	USVI	66-0779861	Yes	15-Mar	15-Sep	JE	RT Park
Financial Ballistics	Trust	USVI	??	31-Dec	15-Apr	31-Dec	JE	April 15th extension due - EDC Applicant
Financial Ballistics, LLC	Single Member LLC	USVI	66-0779863	N/A	N/A	N/A	JE	Sole owner of Financial Ballistics Trust
Poplar, Inc.	S Corp	USVI	66-0776870	31-Dec	15-Mar	15-Sep	JE	Unsure of business purpose
<b>PROPERTIES</b>								
<b>USVI</b>								
Nautilus, Inc.	S Corp	USVI	66-0776990	31-Dec	15-Mar	15-Sep	JE	holds title for Little Saint James (St Thomas)
LSJ, LLC	Single Member LLC	Delaware	66-0557951	N/A	N/A	N/A	JE	Disregarded for tax purposes Former operating company
LSJ Employees LLC	Single Member LLC	USVI	66-0776615	N/A	N/A	N/A	JE	Disregarded for tax purposes Pays all operating expenses and cap improve
Lafayette Contractors, L.L.C.	Single Member LLC	USVI	66-0689340	N/A	N/A	N/A	JE	Construction entity - sole employee Bill Adams formed 1-19-07
Michelle's Transportation Company	Single Member LLC	USVI	66-0698781	N/A	N/A	N/A	JE	Owens Barge Formed May 9, 2007
Island Grounds Inc.	C Corp	USVI	66-0678241	31-Dec	15-Mar	15-Sep	IGO LLC	USVI Corp owned by IGO Company, LLC Payroll entity for hourly labor formed 7-6-06
IGO Company, L.L.C.	Single Member LLC	USVI	66-0689625	N/A	N/A	N/A	JE	Owens 100% of Island Grounds Inc.
<b>NEW MEXICO</b>								
Cypress, Inc.	S Corp	USVI	66-0776879	31-Dec	15-Mar	15-Sep	JE	holds title for New Mexico Property
Zorro Development Corp.	S-Corp	N/A	85-0409324	31-Dec	15-Mar	15-Sep	JE	Pays all operating expenses and cap improve
Zorro Trust	Trust	Ohio	13-7013884	31-Dec	15-Apr	15-Oct	JE	Grantor trust - no income Pays Property Tax which flows thru JEE BLM/State /Federal leases in Zorro Trust name are being transferred to Cypress Inc.
Zorro Ranch, LLC	Single Member LLC	New Mexico	75-3099183	N/A	N/A	N/A	JE	formed 12-27-2002 to hold title yet never used The properties Permits are held in Zorro Ranch name for: a) Well 4 b) Bulk Storage c) Discharge and are being transferred to Cypress Inc.
ZORRO RANCH, LLC HAS A 75% UNDIVIDED INTEREST IN LV'S PROPERTY ALSO								
<b>FLORIDA</b>								
Laurel, Inc.	S Corp	USVI	66-0776877	31-Dec	15-Mar	15-Sep	JE	holds title for Florida property
Neptune LLC	Single Member LLC	Delaware	45-4093384	N/A	N/A	N/A	JE	Pays all operating expenses and cap improve

Entity Name	Type	State	Tax ID #	Year End	Extension Due with		Ownership	Notes	
					Due	Ext			
<b>NEW YORK</b>									
Maple, Inc.	S Corp	USVI	66-0776891	31-Dec	15-Mar	15-Sep	JE	holds title for NYC property	
Nine East 71 <sup>st</sup> Street Corp.	S-Corp	NY	31-1278054	31-Dec	15-Mar	15-Sep	NES LLC	Holds title to 71st street - no activity	
NES, LLC	Single Member LLC NY LLC Filing		13-4146141	N/A	N/A 28-Feb	N/A	JE	Disregarded for tax purposes Property tax flows thru to JE return Pays all operating expenses and cap improve Sole Stockholder of Nine East 71st Street Corp	
<b>PARIS</b>									
Paris-SCIJEP	French Limited Company								JEE owns 999 shares & DKI owns 1 share Employees paid by JEE personally
Mort, Inc.	S Corp	USVI	66-0765963	31-Dec	15-Mar	15-Sep	JE	JEE - president RK - Treasurer DKI - Secretary Formed April 12, 2011 Purpose - acquire 1 share of SCIJEP from DKI	
<b>AVIATION</b>									
JEGE, Inc.	S-Corp	Delaware	51-0405649	31-Dec	15-Mar	15-Sep	JE	JEE - President DKI - Secretary	
Hyperion Air, Inc.	S-Corp	Delaware	13-3621632	31-Dec	15-Mar	15-Sep	JE	JEE - President DKI - Secretary	
Freedom Air International, Inc.	S-Corp	Delaware	13-4109791	31-Dec	15-Mar	15-Sep	FSF LLC	JEE - President DKI - Secretary & VP	
Thomas World Air, LLC	Single Member LLC	USVI	??	N/A	N/A	N/A	JE	Port Authority Hanger Lease & Operations	
Freedom Air Petroleum, LLC	Single Member LLC	USVI	66-0776988	N/A	N/A	N/A	JE	operations of ISO fuel tank	
FSF LLC	Single Member LLC	USVI	??	N/A	N/A	N/A	JE	Owns stock of Freedom Air	
Plan D, Inc.	S Corp	Delaware	32-0201294	31-Dec	15-Mar	15-Sep	JE	formed 4-12-07 Cash: 6,000 and no other assets	
<b>FOUNDATIONS</b>									
Epstein Interests	NY Trust Private Foundation	1041	13-3643429	31-May	15-Oct	15-Jan	JE	JEE & DKI Trustees Cash - 111,000	
C.O.U.Q. Foundation, Inc.	Private Foundation Not for Profit Corp 990-PF	Delaware	13-3996471	28-Feb	15-Jul	15-Oct	JE	JEE-pres DKI-VP RK-Treasurer Delaware Corp qualified to do business in NY Cash - 191	
J. Epstein Virgin Islands Foundatio Inc. aka Enhanced Education	Private Foundation Not for Profit Corp 990-PF	USVI	66-0585379	31-Dec	15-May	15-Aug	JE	DKI-pres Cecile-VP Jeanne-Sec & Treasurer Cash - 6,740,000	

<u>Entity Name</u>	<u>Type</u>	<u>State</u>	<u>Tax ID #</u>	<u>Year End</u>	<u>Extension Due with</u>		<u>Ownership</u>	<u>Notes</u>
					<u>Due</u>	<u>Ext</u>		
<b>TRUSTS</b>								
Butterfly Trust Pourover Trust	1041	USVI	26-6639711	31-Dec	15-Apr	15-Oct	JE	JEE - Grantor and Trustees DKI & RK Cash - \$8,043 formed 12-27-2006
Haze Trust	1041	USVI	13-7185414	31-Dec	15-Apr	15-Oct	JE	JEE - Grantor & Trustee a) JPM Bonds & Cash \$5,100,000 c) Hedge Funds 1) King Street Capital 2) Highbridge Multistategy
<b>DKI / RK ENTITIES</b>								
Lynn & JoJo LLC	Single Member LLC			N/A	N/A	N/A	JE	owns title to 18 Teneyck Ave, Valley Stream NY DKI is nominee for JE / Cash: 22,762
KCAC LLC	1065	NJ	30-0251011	31-Dec	15-Apr	15-Oct	JE / MS	60% JE / 40% Michelle Saipher Capital AC - JEE 1,047,000 Capital AC - MS 763,000
New York Strategy Group, LLC	S-Corp	NY	13-4097417	31-Dec	15-Mar	15-Sep	DKI	Loan Payable JEE - 4,273,011 Loan Receivable DKI 1,135,000 Cash: 165,000 NJ Tax Rate: 8.97%
HBRK Associates	C Corp	NY	30-0503838	31-Dec	15-Mar	15-Sep	RK / HB	Owned by HB 50% and RK 50% Employees: Rich, Bella, Harry and Marc Dober
DKI PLLC	Professional Limited Liability Company	NY	30-0503845	31-Dec	15-Apr	15-Oct	DKI	Pays annual UBT Tax of approx 50,000 Employees: DKI, Lesley, Harry
	NY LLC Filing				28-Feb			