

GOVERNMENT OF
THE VIRGIN ISLANDS OF THE UNITED STATES
ECONOMIC DEVELOPMENT COMMISSION

PUBLIC HEARING

THURSDAY, November 15, 2012
12:43 p.m. to 2:32 p.m.

Port Authority Conference Room
St. Thomas, Virgin Islands

MEMBERS PRESENT

ALBERT BRYAN, Chairman
NATHAN SIMMONDS, Vice Chairman
LYNN MILLIN MADURO, ESQ., Member
RANDOLPH ALLEN, Member
JOSE PENN, Member

STAFF PRESENT

PERCIVAL CLOUDEN, CEO
JENNIFER NUGENT-HILL, ACEO
HENRY SMOCK, ESQ., Legal Counsel
FRED HANDLEMAN, ESQ., Director of Legislative
& Legal Affairs
MARGARITA BENJAMIN, Director of Applications
STEPHANIE BERRY, Director of Compliance
BETH HOFFMAN, ESQ., Investigator
SEMELE GEORGE, Public Relations
DORENE LEWIS, Board Liaison

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I N D E X

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(Hearing Adjourned.)

PROCEEDINGS

1
2 THE CHAIR: Good morning. I'd like
3 to call to order the Economic Development Commission Public
4 Hearing.

5 Can I have a roll call, please?

6 MR. PENN: Commissioner Bryan.

7 THE CHAIR: Present.

8 MR. PENN: Commissioner Simmonds.

9 MR. SIMMONDS: Here.

10 THE CHAIR: Commissioner Allen.

11 MR. ALLEN: Here.

12 MR. PENN: Commissioner Penn,
13 present.

14 Commissioner Smith.

15 THE CHAIR: Excused.

16 MR. PENN: Commissioner Millin
17 Maduro.

18 THE CHAIR: Late.

19 MR. PENN: Mr. Chair, you have four
20 members present.

21 THE CHAIR: Having established a
22 quorum are there any changes to the agenda?

23 MS. HILL: Mr. Chairman, good
24 afternoon. I'd like to thank all of the board members for
25 being here. I'd like to acknowledge the presence of the

1 staff that's here relating to the EDC Public Hearing and to
2 introduce starting with introducing our new Director of
3 Compliance, Miss Stephanie Berry. And we'd like to welcome
4 her to the team. And she is bringing to the table a great
5 deal of skills and we look forward to her adding to the EDC
6 program with a very varied background that she brings. She
7 is a Ph.D. candidate in industrial psychology and management
8 and is quite familiar with the government processes. So we
9 want to welcome our new Director of Compliance and to also
10 acknowledge -- I know that my counsels have all been
11 introduced to her by e-mail. Welcome, Stephanie Berry.

12 Attorney Smock is here, Counsel to the Board,
13 Attorney Beth Hoffman, our investigator, and our Public
14 Relations representative, Semele George, and of course our
15 Executive Assistant to the Board is with us today. We are
16 happy that she's here. She's feeling better. Glad that you
17 are here.

18 And, Mr. Chairman, in response to your question
19 with regards to changes on the agenda, the agenda as is
20 presented to you is as it is. The original document you had
21 in your drop box were amended because counsels have all
22 agreed, Counsel Erika Kellerhals and Attorney Roberts agreed
23 to shift their clients presentations. So we will start with
24 Asset Management, sir, as you deem appropriate.

25 THE CHAIR: Asset that's what's on

1 the agenda.

2 MS. KELLERHALS: I think we are going to
3 go first, Southern Trust.

4 MS. ROBERTS: I thought we had
5 agreed --

6 MS. HILL: You are going to go
7 first?

8 MS. KELLERHALS: Yes.

9 MS. HILL: That's right. I
10 apologize. You did say that.

11 MS. ROBERTS: And we would like DIAM
12 to go before Asset Recovery.

13 MS. HILL: That's the reorder of
14 the agenda. Thank you.

15 MR. PENN: Mr. Chair, I'd like to
16 move that the agenda be amended that Southern Trust
17 Management Company be the first item for public hearing to
18 be followed by DIAM Management, Inc. and then Asset Recovery
19 Management, Inc. So moved, Mr. Chair.

20 THE CHAIR: Second?

21 MR. ALLEN: Second.

22 THE CHAIR: Properly moved and
23 seconded. All those in favor?

24 (Chorus of Ayes)

25 THE CHAIR: Opposed?

1 (No Response)

2 THE CHAIR: Abstention?

3 (No Response)

4 THE CHAIR: Motion carries.

5 Motion to accept the agenda as amended.

6 MR. PENN: So moved, Mr. Chair.

7 THE CHAIR: Second?

8 MR. SIMMONDS: Second.

9 THE CHAIR: Properly moved and
10 seconded. All those in favor?

11 (Chorus of Ayes)

12 THE CHAIR: Opposed?

13 (No Response)

14 THE CHAIR: Abstentions?

15 (No Response)

16 THE CHAIR: The agenda stands
17 approved.

18 Cases for Public Hearing, Southern Trust Company.

19 Who speaks to this matter?

20 MS. KELLERHALS: I do.

21 THE CHAIR: Mr. Smock, could you
22 swear in the testifiers?

23

24 (Thereupon Erika Kellerhals, Esq. and Jeffrey

25 Epstein were duly sworn in by Attorney Smock.)

1 MS. KELLERHALS: Good afternoon,
2 Chairman, Commissioners and Staff. I appreciate the
3 opportunity to come before you today and speak with you
4 regarding my client, Southern Trust Company, Inc.

5 I'm here today with Mr. Jeffrey Epstein who is
6 the President of Southern Trust. And after a brief
7 introduction covering the business and its compliance with
8 the statutory requirements of the EDC program, I'm going to
9 turn the floor over to Mr. Epstein and he will talk to you a
10 little bit about the new business model.

11 Southern Trust, which will be located on the
12 Island of St. Thomas is applying for benefits under Category
13 IIa as a designated service business. And once it gets up
14 and running it will provide cutting edge consulting services
15 to companies around the world lying in part upon the use of
16 biomedical and financial informatics. The client base for
17 this company is going to range from individual consumers to
18 scientist, to investment companies looking to create new
19 strategies using what's called mine information. I want to
20 get a few housekeeping out of the way and on the record
21 before Mr. Epstein explains to you exactly what it is they
22 are going to be doing.

23 Southern Trust is going to meet all the statutory
24 requirements including that with respect to capital
25 investment. In fact Southern Trust has indicated in their

1 application will exceed the statutory investment requirement
2 of \$100,000.00.

3 We've also set out a detailed employee benefit
4 plan. And one of the things that's noted about the plan
5 itself is in addition to providing generous lead packages,
6 life insurance and a donated leave program, the company
7 actually includes one hundred percent employee and dependent
8 coverage for health insurance. So the company will absorb
9 the cost of all health insurance. And they have agreed to a
10 minimum \$50,000.00 per year charitable contribution in
11 addition to the mandatory contributions to the Territorial
12 Scholarship Fund and the Department of Labor database. And
13 those of you who know Mr. Epstein he has been a long-term
14 resident of the Virgin Islands know that he has given
15 generously over the course of the last 11 years to various
16 charities in the Virgin Islands.

17 We did request as part of the application a
18 waiver of the employee requirement for the first five years
19 down to five employees. There were a couple of different
20 reasons for doing that. One is as Mr. Epstein explains and
21 as we explained in the application, there are some very
22 specialized job positions needed by virtue of the business
23 model and what the business itself would be doing. And it's
24 anticipated that getting to maximum capacity and finding the
25 right employees will take a significant period of time. And

1 as a result of asking for that waiver of the employment
2 requirement down to five, we are also asking that the
3 percentage residency requirement also be amended from 80
4 percent to 50 percent for the first five years.

5 I'm now going to turn the floor over to Mr.
6 Epstein and he can talk to you a little bit about his
7 background in this business in particular.

8 MR. EPSTEIN: Thank you.

9 What's happening in today's environment is the
10 fact that most everyone here has a computer in front of
11 them. Most of the time if you look back 25 years if you
12 wanted to know whose genetics determined your current
13 circumstance, if you wanted to get financial advice, if you
14 wanted to get medical advice you would go to one doctor.
15 You would, hopefully, choose the right doctor and he would
16 according to his experience say, fine, maybe you have a
17 stomach ache and we have in response to your problems three
18 or four solutions.

19 In fact if you were going to go into the Army
20 years ago they classified your health like only five
21 categories. Were you sort of very healthy, healthy or were
22 you F-4. Everything was very general and very broad
23 categories.

24 As you all are aware everything nowadays has
25 become personalized. You have your clothes that you wear

1 can be custom made. Everyone has many options on how to set
2 up their computers. What's happening in the world is that
3 many decisions that used to be made by one single individual
4 now it's impossible to get accurate information without
5 accessing vast numbers of databases. What Southern Trust
6 will do will be basically organizing mathematical algorithms
7 so that if I want to know what my predisposition is for
8 cancer we can now have my genes specifically sequenced.

9 Unfortunately, it hit home as of yesterday for me
10 exactly what my company does. One of my closest friends was
11 diagnosed two days ago with a terminal cancer. Now he's at
12 the best hospital. I've known him since I was six years
13 old. His tumor needs to be sequenced. We will spend time
14 going through the DNA of his exact tumor.

15 Now that was the first step that's available
16 today. It hasn't been available ever before. But that's
17 only the first step. Now we know specifically what type of
18 cancer he has.

19 In the past unless you are lucky enough to have
20 the right doctor when you went to diagnose that problem and
21 he can say, well, Jose or Albert I've seen this before and
22 you were out of luck. Now what we'll do is we'll use this
23 one sequence, his own DNA and the specific problem he has
24 with his cancer and access worldwide databases of every
25 drug, every single drug across the world that's been tested

1 on all different types of cancers that specifically have his
2 DNA sequence involved. So the chances of a successful
3 treatment are now viable where before as he said last night
4 he would be dead in four weeks.

5 So as of medical advance you are able for the
6 first time to have custom made medicine but you can't do
7 that without accessing a vast database of information. Even
8 if you are the best doctor in New York or California or
9 here, you can only read what you can read. You have 24
10 hours a day. The new sequences in biomedicine will allow
11 you to access every publication that affects your area and
12 you don't have time to read it.

13 So my company's algorithms will in fact digest
14 the information as best as they can currently and then spit
15 out its recommendations. So you'll have computer generated
16 solutions for medical problems, which is the next century's
17 work on how to get people healthy.

18 My real business has always been money. People
19 want to know which companies to invest in and you might have
20 been lucky enough -- I was poor but if your parents had any
21 money and they wanted to simply find the stock to buy or how
22 to invest their money, again they had to find a stockbroker
23 or a local banker or someone they could go to and ask their
24 advice. And that one person's advice was only as good as
25 the college they went to or their experience in the

1 business.

2 Now, just as I -- with my friend or as a simple
3 example years ago if you had asked me what is the name of
4 George Washington's horse? I lived in Coney Island. George
5 Washington's horse, okay, what would I have to do? I'd have
6 to get on the bus and go to the library. I'd have to ask
7 the librarian for a book on George Washington. Hopefully,
8 somewhere in the appendix would be a note that said George
9 Washington's horse or otherwise I was in trouble. I'd have
10 to actually read the book.

11 I would then go back, make a report, come to my
12 school. And as you all know right now we go to Goggle and
13 in a nanosecond Goggle searches 10 billion documents for the
14 names of George Washington's horse. And you can find out
15 what the horse ate for breakfast on a certain day.

16 So my company will then take the concept of
17 building these search algorithms but not searching the
18 information for the name of George Washington's horse but in
19 fact searching the world's databases for what is the best
20 investments. I can't spend 24 hours a day going through all
21 the investments around the world but my computer can do it
22 in a nanosecond.

23 Unbeknownst to most people today again when I
24 first started on Wall Street I was a school teacher. The
25 stock exchange traded a couple of million shares per day and

1 that was a big -- and if you had a 100 million shares a day
2 it was a calamity. Now everyday, every minute those numbers
3 of shares are traded but not by people. Seventy-Five or
4 Eighty percent of all the trading around the world -- when I
5 say trading, all the statistics you read about how many
6 shares traded today is done by a computer. In fact some of
7 the computers trade thousands of times per second buying and
8 selling at small increments.

9 So the speed at which decisions are made you have
10 speed by computers but you need a search engine, just like
11 Goggle has a search engine for documents, a method to search
12 the financial arena for the best investments in my financial
13 arm of Southern Trust and the best medicine. So again if it
14 was me personally -- this again it hits very close to home.
15 I'm leaving for New York after this meeting to go sit with
16 the sequencers to see if I can save my friend. And this is
17 the first time in history that it's probably a chance
18 because most people don't know when they say you have lung
19 cancer, cancer is not really a thing. It's not like -- you
20 see we used to -- the past 30 years we know we had a
21 disease. You had the flu or you had some type of liver
22 disorder. Cancer is very different. Cancer is not a thing.
23 It's a process. It's a process.

24 What do I mean by that? It doesn't mean I have
25 something in my lung that has a little "C" that says cancer.

1 It means that my lung is doing something. It is a process.
2 It is cancering. My lung is cancering or my prostate is
3 cancering. In my friend's case his brain, bones and liver
4 are cancering.

5 So in the past -- unfortunately anyone diagnosed
6 with a disease for lung cancer you could only treat them
7 with a lung cancer approved drug. Like I have a breast care
8 center in New York. So now it turns out that many females
9 for breast care you can treat it with things that were only
10 used before for prostate. And the only way they got to that
11 is they realized that in certain studies in the Netherlands
12 just by these search engines there had been good results
13 based on the computers being able to search the database,
14 the solutions for specific types of problems.

15 Why the Virgin Islands? Again we have high speed
16 connections in St. Croix. So I have to beg both servers to
17 hold my database information. The high level people that
18 Erika mentioned is I need high level mathematicians to come
19 down and help program the computers. Some people actually
20 have to be here and monitor the computers. And these
21 algorithms -- it's amazing but true -- much of the work
22 hopefully to be done later in life.

23 So that five, ten years away is the computers
24 themselves will help redesign some of the computer programs.
25 Just like in the cars we first built some computers to help

1 us manufacture cars. Now the computers are helping to
2 design. They in fact design their own little parts.

3 In the new version you can actually printout just
4 like a fax machine started 20 years ago, you could have the
5 computer design the part and make it. It actually prints
6 parts. So Southern Trust will be basically building up a
7 database searching mechanism to search things on an
8 individual basis both in the medical field and the financial
9 field.

10 Again it's an exciting area that the idea is that
11 the diseases that affect the local population -- I do lots
12 of work in Africa. To backup Africa is for me a fertile
13 ground for experimentation because it has been so
14 underdeveloped it is not burdened with the current system.
15 What do I mean?

16 When telephone companies now come to places like
17 Senegal where I was a couple of months ago, they don't put
18 copper in the ground. They don't have to worry about laying
19 cables and going to everyone's house. They leapfrog the old
20 systems going directly to cellular.

21 So though Senegal and Ivory Coast are poor
22 countries, 70 percent of the people have cell phones because
23 they were able to not deal with the local in-breaded
24 telephone companies who had to charge a ridiculous sense of
25 money because they had already laid all this pipe and copper

1 in the ground. The same thing here, Africa has almost no
2 medicine. It's difficult. But with searching as opposed to
3 testing people everyone is not the same, not everyone needs
4 an aspirin and not everyone needs the same aspirin or the
5 same amount of aspirin. The idea would be to build up a
6 personal medical database for lots of people.

7 That's it. And ask as many questions about the
8 subject. I enjoy it.

9 MR. SIMMONDS: Good afternoon. I get
10 the financial part. I mean you got a billion dollars to
11 invest. You search for the best investments and you invest
12 other people's money.

13 The medical part I'm not sure I get as yet. I
14 mean I'm not going to ask you how much something like that
15 would cost because it sounds like it would be really
16 expensive. But who are you catering too? I mean people are
17 going to come to you and say, you know what, I have an
18 ailment. I need you to search and see if there is a cure.

19 MR. EPSTEIN: No, it's the drug
20 companies. To develop a new drug now cost a billion dollars
21 because you sort of start from scratch and it's really like
22 trial and error in your backyard, trying to figure out which
23 piece fits in this screw. So the drug companies spend the
24 first five years testing all the different parts to see if
25 it will work on this drug -- on this disease. The drug

1 companies would much rather have my computer do the trials
2 and errors.

3 MR. SIMMONDS: But you are not testing
4 anything. You are basically just searching for already
5 tested products.

6 MR. EPSTEIN: The algorithms
7 themselves will be almost like a chemistry lab in the
8 computer. In the old days when you had to test for
9 something you had to actually build it to see if it would
10 work. When the Wright Brothers built their airplane they
11 flew it and it crashed. They flew it and that's when they
12 changed the wing.

13 And now what you do is you design it in the
14 computer. The computer inside all the new space ships are
15 all designed by saying here is the wind, here is the gravity
16 and the product comes out at the end. So there is big drug
17 companies that want to know what's the most likely pathway
18 to hit this type of disease.

19 MR. SIMMONDS: Why would it take five
20 years before local folks could be trained in doing this sort
21 of --

22 MR. EPSTEIN: It won't take five. It
23 will be growing simultaneously because the mathematics it's
24 like the new programs. For example, the last Windows
25 program that came out last week, Windows 8, took 600 people

1 six years to do. Now it's not that many people but you need
2 high level programmers.

3 So I would like to have young people -- I'm a
4 teacher by heart -- engaged early on. But the programming
5 initially will take time to get up and running and been
6 testing it until it sort of becomes a model for its
7 performance.

8 MR. SIMMONDS: Thank you.

9 THE CHAIR: Mr. Allen.

10 MR. ALLEN: Good afternoon, Mr.
11 Epstein. I've been listening to you quite intense.

12 You are asking for five years exemption and you
13 need instead of 80/20, you need 50/50. You know that's
14 going to take going back to the Legislature to change the
15 statute?

16 MS. KELLERHALS: We are aware that they
17 did bring in an amendment to go to the Legislature -- that
18 the Legislature actually passed legislation that would
19 reduce the number of employees to five. I understand that
20 it was vetoed by the Governor. But based upon my
21 discussions with the EDC staff it was my understanding that
22 at this time based on the circumstances of each applicant it
23 would be considered.

24 MR. ALLEN: That's the reason why
25 it's in this proposal?

1 MS. KELLERHALS: It's in the proposal in
2 part because it fits the business model better. It allows
3 them as Mr. Epstein explained there is that ramp up while
4 they are getting the programs together.

5 MR. EPSTEIN: I much rather it be
6 shorter frankly.

7 MR. ALLEN: You much rather it be
8 shorter?

9 MR. EPSTEIN: Sorry. I would like to
10 get it done as fast as possible.

11 MR. ALLEN: Yes, I understand that.
12 But some of the computer models that you discussed it's so
13 way out. Is this your thinking or this is something that is
14 on the market that you are trying to tap into?

15 MR. EPSTEIN: I am not a mad man. So
16 it might appear that way.

17 MR. ALLEN: No, I'm just asking if
18 this is your thought brand new or there is something out
19 there that you are trying to bring it here.

20 MR. EPSTEIN: Both. There are
21 products just beginning. They have not yet been fully
22 developed. Database mining is a very -- product is probably
23 the wrong word. The database mining which mining means as
24 in the past you got to dig into the ground. Here the
25 concept of database mining is very well established but not

1 in these two areas.

2 Normally, for example, as you know when you go in
3 your computer it might target you for a specific type of
4 advertisement because it knows that after you've been
5 searching for French fries. So they mine all the people in
6 the area who is looking for French fries and said, you know,
7 Randolph seems to like that. So we'll send him a message.

8 So the concept itself is very well established,
9 using the medical really the next couple of years.

10 MR. ALLEN: I have no more
11 questions.

12 THE CHAIR: How do you get around
13 all the proprietary medical information, though? I mean how
14 does that --

15 MR. EPSTEIN: Because you initially
16 start out -- most people they opt in or opt out. Sometimes
17 they, even for the first sequencing, potentially to answer
18 your question, when the human geno project is first begun a
19 question came in if they sequence my geno, my personal geno,
20 is that information tied to Jeffrey Epstein or will it be
21 anonymous? And everyone whose genes get sequenced has the
22 right to say I don't want my name associated with my gene
23 because maybe if I have something that's bad I might have a
24 rocker gene from a woman pre-deposing me to breast cancer I
25 won't get health insurance.

1 So the decision of having your name associated
2 with the sequence is your decision. However, the sequence
3 then goes into a big pile and says the person who had that
4 sequence was responsive to this drug. So there is no name
5 attached. So there is no privacy issue.

6 If it turns out that most people don't mind
7 having their names I was surprised. But most people say,
8 look, if I'm doing something good for society and it's
9 helpful you say, yes, I've had a problem and if I can help
10 others my name could be attached. That's a decision I would
11 make.

12 THE CHAIR: So it's a biomedical
13 Goggle that --

14 MR. EPSTEIN: Yes.

15 THE CHAIR: -- that tracks genes,
16 preference gene receptivity to different medications in
17 order to make doctors more efficient.

18 MR. EPSTEIN: Yes, and drugs more
19 efficient.

20 THE CHAIR: But how do you get paid?

21 MR. EPSTEIN: The drug companies
22 instead of having -- as I said imagine having your own
23 little chemistry lab in a computer as opposed to having a
24 thousand people. So they pay me for the algorithm.

25 THE CHAIR: So they pay you a

1 membership fee to access your server or they pay you for an
2 algorithm that you actually sell them instead?

3 MR. EPSTEIN: There will be just like
4 in any other product because there are different algorithms.
5 Some will be outright purchases, probably the simple ones.
6 There will be leases for longer runs and most people will be
7 coming back. Sometime if you want to know -- just like a
8 search engine in answer to one question. So you get paid
9 for that one piece of advice, ongoing advice or exclusive
10 rights like drug companies might want to have for a specific
11 answer.

12 THE CHAIR: And these mathematicians
13 build these algorithms to build themselves or they build
14 algorithms specifically for whatever question is posed
15 because I know you mentioned -- I still want to know why you
16 have a server here, though?

17 MR. EPSTEIN: I'd like to have
18 everything here for security purposes. As you know
19 everybody is hacking servers. The only way really
20 unfortunately to make sure you are secure is to have
21 location wise. Once you put your server --

22 THE CHAIR: So your server will be
23 more or less your vault rather than a server to power
24 anybody else anywhere else?

25 MR. EPSTEIN: Yes, yes. The systems

1 everything is interconnected. But again the only real way
2 to have certain types of things is servers that are not
3 connected to the Internet directly.

4 THE CHAIR: How do you anticipate
5 that this business will grow so that it would actually
6 affect employment?

7 MR. EPSTEIN: Because if things go as
8 I planned it will need a significant number of people,
9 hopefully, again, probably between five to ten years or
10 maybe more operate a virtual laboratory. So you need lots
11 of people. You need to watch and help the mathematicians.
12 It's accessing the computers and training people to operate
13 the systems.

14 As you know if you thought about it years ago, 20
15 years ago if we said we are going to have to program a
16 computer, it's impossible. I can't do it. I'm a pretty
17 good mathematicians. But now students coming up can program
18 things that were unthinkable years ago.

19 THE CHAIR: And the office space or
20 will there be an office space?

21 MR. EPSTEIN: Yes, sir.

22 THE CHAIR: It will be in St.
23 Thomas?

24 MR. EPSTEIN: Yes, sir.

25 THE CHAIR: But the server will be

1 on the level three establishment on St. Croix?

2 MR. EPSTEIN: Don't know yet.

3 THE CHAIR: Because I know I heard
4 you mention St. Croix and the access to the band. But you
5 are figuring you can tap in a fiber anywhere and get there?

6 MR. EPSTEIN: Yes. You want the
7 access. So that's really for the trading aspects.

8 It turns out -- and again it's an interesting
9 fact, that computers that trade, the algorithms that's a
10 different part of the business, the computers that trade it
11 makes a tremendous difference if you have fiber and high
12 speed fiber but not high speed fiber.

13 So just as a silly example there was a company in
14 New York that moved its offices three streets closer to the
15 stock exchange and paid millions of dollars to upgrade their
16 space so they can be three streets closer because then they
17 get an edge.

18 MR. SIMMONDS: Mr. Chair, if I might
19 follow-up on something that you asked?

20 THE CHAIR: Sure.

21 MR. SIMMONDS: So what then do you see
22 as the economic benefit to the territory?

23 MR. EPSTEIN: Well, obviously,
24 hopefully --

25 MR. SIMMONDS: I mean you are

1 suggesting that it will be at least five years, maybe even
2 longer before you start ramping up employment.

3 MR. EPSTEIN: I think there will be
4 revenues of a considerable number of millions of dollars at
5 the end of the fifth year. But the ramp up these are high
6 dollar revenue items to the company. So obviously in terms
7 of the taxes and in terms of employment.

8 MR. SIMMONDS: I'm sorry, taxes for the
9 five or so individuals that --

10 MR. EPSTEIN: No, no, the business
11 taxes.

12 MR. SIMMONDS: The business taxes?

13 MR. EPSTEIN: Yes, sir.

14 MR. SIMMONDS: But you are getting an
15 exemption.

16 MS. KELLERHALS: Right, but the
17 exemptions are only 90 percent on eligible income.

18 MR. SIMMONDS: So you are saying that
19 the 10 percent would be substantial for the territory?

20 MR. EPSTEIN: Yes. The answer is
21 "yes". And combined with employment it's a little down
22 side.

23 THE CHAIR: How was this --

24 MR. SIMMONDS: You are already a
25 resident of the Virgin Islands, right?

1 MR. EPSTEIN: Yes, sir. I also have
2 homes in New York and Florida. Most people prefer -- I
3 prefer to be down here. This is my favorite place to be.
4 It's a more difficult business environment but I prefer to
5 be here. I prefer to have my employees here. I've had a
6 very successful time here.

7 THE CHAIR: How is this different,
8 the financial side than what you were doing before?

9 MR. EPSTEIN: What I was doing before
10 was really financial advice which is almost I don't want to
11 say antiquated but somewhat. You would come to me and say
12 what should I buy? And I'll use my judgment based on 30
13 years in the business of what you should buy. I didn't
14 really use computer search engines to find it. It's a very
15 different business. This is not financial advice. This is
16 the mathematics and the product of financial algorithms for
17 sale.

18 THE CHAIR: So you have clients that
19 have invested in this and these algorithms produce not
20 information but -- they do produce information but it
21 actually trades based on that information.

22 MR. EPSTEIN: That's correct.

23 THE CHAIR: The computer.

24 MR. EPSTEIN: Yes, the computer can
25 trade. And the client they can either buy its position in

1 the algorithm or can have advice but I prefer only the
2 algorithm. I don't want to do financial advice. This is
3 much more sophisticated.

4 THE CHAIR: When you say they buy a
5 position in the algorithm, you can invest in an algorithm?

6 MR. EPSTEIN: Yes. So if you go on,
7 for example, many trading sites you, yourself, can sign up
8 as a subscription and say I get the Albert Bryan newsletter.
9 When you think about that what was that? That was someone
10 who is willing to pay you a monthly fee for your personal
11 advice. Here we do the same thing except it's not a person.
12 It's a computer.

13 THE CHAIR: Why isn't this a Tech
14 Park business, though?

15 MS. KELLERHALS: We couldn't come to an
16 agreement with the Tech Park. So there is an understanding
17 that we could go to the EDC.

18 THE CHAIR: Because I was trying to
19 figure out if there was a distinctive difference because it
20 is a little different. It is an Internet provided service
21 but your core business is not really Internet.

22 MR. EPSTEIN: No, it's database.

23 THE CHAIR: It's data.

24 MR. EPSTEIN: Yes, data and it's
25 management.

1 THE CHAIR: Right, I go it.

2 MR. PENN: In the projections you
3 have two revenue lines, fee income and investment income.
4 It seems that -- is the fee income both the medical and the
5 financial?

6 MR. EPSTEIN: It's a mixture. Again
7 according to what the client wants to do, whether they want
8 to have a single -- you can invest, for example, in the
9 follow-up in only the bond algorithm. So you would then be
10 paying for your piece of a bond algorithm. If you wanted to
11 have more you would be fee for the entire business.

12 MR. PENN: I was just trying to get
13 a feel for how much of the business you estimated because
14 your estimate would have been medical versus financial.

15 MR. EPSTEIN: I think it will move. I
16 think it will start off being more financial because the
17 medical is much more sophisticated. But in terms of overall
18 sort of doing good thing, hopefully, I think the medical
19 area would be more exciting.

20 MR. PENN: And how many people
21 would you say would you need to do what you project for year
22 five? I'm not going to put numbers on the record but I see
23 nearly a doubling of your estimates between year one and
24 year five and I'm just trying to figure out --

25 MR. EPSTEIN: I wanted to be

1 conservative. If things go well we'll meet a lot of people.

2 MR. PENN: But I mean I guess with
3 the question you had before about the mix 50/50 --

4 MR. EPSTEIN: Yes.

5 MR. PENN: -- in year five what do
6 you project that to be to generate what you project even
7 though it's conservative? How many bodies are you
8 considering?

9 MR. EPSTEIN: Again I would like as
10 many as possible frankly. But the idea is how well will a
11 product this mechanism take. Especially because it's
12 medical you don't want to sell something before it's ready.
13 And once it's ready then there would be people in the
14 marketing department. There will be a bunch of other
15 things. So it's difficult to put a number on it.

16 MR. PENN: How do you market that?

17 MR. EPSTEIN: Well, for the medical
18 things through the drug companies as well as certain medical
19 NIH, the hospital divisions, the medical countries. Iceland
20 is one of the few countries -- and that's another discussion
21 at some point because Iceland is an isolated community and
22 they have 50 years of genetic information. So everyone in
23 Iceland has a genetic sequence and you can then see what's
24 happening, the children, what was really inherited. Is
25 breast cancer inherited, not inherited. Is schizophrenia by

1 simply looking at all the data that was accumulated?

2 Places, frankly, like St. Thomas are the perfect
3 place to sequence people because it's so isolated. You are
4 able to get much better data than ever before. And it also
5 ends up -- and that's one of the advantages of being here as
6 opposed to New York.

7 THE CHAIR: But when I think of
8 genetic sequencing -- and I know we are getting way out on a
9 limb.

10 MR. EPSTEIN: No, ask.

11 THE CHAIR: I mean I would think
12 that you would have to have some DNA sampling of these
13 people going back for 50 years and 50 years ago we didn't
14 have that type of technology. So how do you -- I mean
15 people have died. How do you trace that? How do you do
16 sequencing of somebody who is no longer here?

17 MR. EPSTEIN: In Iceland they've kept
18 the sequencing. They started taking blood. So they have
19 kept blood samples from everyone. That was very forward
20 thinking. So they were simply able to get the sequence out
21 of the blood.

22 THE CHAIR: Got you. That was
23 confusing.

24 MR. EPSTEIN: Yes, it's 50 years of
25 data. It's the only country. It doesn't make them any

1 healthier at the moment but they have tremendous amounts of
2 data but almost no information.

3 THE CHAIR: Wow!

4 MR. EPSTEIN: Because now they have
5 300,000 people and all their ancestors. Now what do we do
6 with it?

7 It was the same problem when we had the human
8 geno. It was a book of three billion letters and it took
9 ten years to do and three billion dollars to do it, three
10 billion dollars to do it only ten years ago. That same
11 sequence you can now walk into your doctor and have it done
12 for \$65.00. You can sequence your entire geno for \$65.00.

13 MS. MADURO: I have one question for
14 Legal Counsel. So through the Chair may I ask my question
15 to Legal Counsel?

16 With respect to the fact that the Governor has
17 vetoed the proposed legislation, how will that impact us
18 inasmuch as we are in a public hearing and this board is
19 going to have to later decide moving this application
20 forward without the approved legislation?

21 MR. SMOCK: You'll have to remind me
22 which legislation are you talking about?

23 MS. MADURO: On the amount of
24 employees that the companies may have. Traditionally we
25 would approve an application with a minimum of 10 and move

1 forward in the event that the applicant cannot ramp up to 10
2 we would do a modification or a waiver of employees. But in
3 this instant we are going to start out knowing that we are
4 not going to have 10 employees.

5 MR. SMOCK: So we'll be dealing with
6 the old legislation.

7 THE CHAIR: But the law allows for
8 us to waive the employment in any case.

9 MR. SMOCK: If we wish.

10 THE CHAIR: For due cause only
11 because those employees are not needed.

12 MR. SMOCK: If we wish to.

13 MS. MADURO: True. But we
14 traditionally do it by coming back to public hearing. So in
15 the interest of time and because we now know that the
16 applicant is not intending to ramp up to that I think it
17 should be notated on the record so that we don't have to
18 come back in the event that the applicant is approved to a
19 waiver process or a modification process on it.

20 MR. SMOCK: I believe it's already a
21 part of the application.

22 THE CHAIR: How many more people are
23 doing this?

24 MR. EPSTEIN: There is a couple doing
25 it in California. Steve Jobs had a group that was trying to

1 help him and it was a little too short. They didn't get it
2 done in time but they were getting there. In fact the last
3 day of his life they thought they were able to sequence his
4 gene in a way and maybe find a useful drug and he had
5 enough. They said we think we can try a new one that's
6 specifically tailored for your specific problem and he said
7 I can't do this anymore. And then they had a big meeting.
8 They tried to convince him to try it and he said I'm done.

9 THE CHAIR: Where are you getting
10 your mathematicians from?

11 MR. EPSTEIN: Usually from the United
12 States.

13 THE CHAIR: That's a big place.

14 MS. HILL: I'm sorry, where?

15 MR. EPSTEIN: United States. I had
16 hoped to get some from Europe just like engineers but it
17 turns out that they don't exist anymore and anybody in this
18 level of mathematics anywhere, they don't exist in China
19 because you need a bit of a creative person as opposed to
20 simply a copy cat. They don't exist in Europe. And if you
21 are really good you are already here. So the universities
22 usually.

23 THE CHAIR: So you already have one?

24 MR. EPSTEIN: I've had one.

25 THE CHAIR: And what was his profile

1 like?

2 MR. EPSTEIN: Harvard. It's usually
3 Harvard, MIT. But this is Harvard and he used to be at the
4 institute of advanced studies at Princeton.

5 THE CHAIR: So in your five-year
6 plan you are going to send some Virgin Islanders to Harvard?

7 MR. BRYAN: No, I want to train them
8 here.

9 THE CHAIR: How do you do that,
10 though?

11 MR. EPSTEIN: Because it's much -- you
12 have to start off thinking that, for example, Algebra is not
13 as important as it used to be. Programming is important.
14 And you don't have to -- in the old days you have to
15 actually poke holes in the card to program. And now the
16 younger people can have their little abortage (phon) do
17 things simply by typing in and raise the abortage
18 right-hand. You type it in and it already programs.

19 So advance programming is very different. It's
20 nothing -- I'm sure if you have children how they text, for
21 example, they speak in B2B, see you soon. You could ask me
22 five minutes ago how am I going to teach -- one of the
23 problems is how do you teach kids to talk because in fact
24 they are starting to talk as they text. So adults don't
25 understand it.

1 THE CHAIR: Is that what it is?

2 MR. EPSTEIN: Yes.

3 THE CHAIR: So are you planning --
4 and I know you have contributed generously before. So are
5 you planning to do -- I know we have one applicant that
6 started our Junior Achievement Program and we have some
7 others that did a financial piece that seems to be
8 successful at Charlotte Amalie High. Junior Achievement has
9 gone viral. It's all over the Virgin Islands now.

10 Are you going to do any programs to start to
11 build that type of interest and expose young people to that
12 kind of --

13 MR. EPSTEIN: I'm willing to do any of
14 those things. Again I come from a background where I had no
15 money and it was only by understanding math and science that
16 I was able to live the life I currently lead. So I would
17 love to do it.

18 THE CHAIR: Any other questions?

19 MR. EPSTEIN: I'll be more than happy
20 in some other forum to sit down and say fine. In fact in
21 some of the scholarship money that I have given before here
22 in St. Thomas was to try to find children to go to visit
23 Harvard, encourage them.

24 One of the things I did five years ago is I
25 brought a whole bunch of Noble Prize winners here to St.

1 Thomas for lectures at the university again so kids can see
2 they don't have to be in the music business. Science is as
3 fun and exciting.

4 MR. SIMMONDS: One of our board members
5 is the Provost at UVI. So we certainly will have him get in
6 touch with you and see what kind of programs could be
7 developed in conjunction with UVI to train mathematicians.

8 MR. EPSTEIN: Not only mathematicians,
9 in fact it's a longer discussion. I'm willing to have as
10 many discussions anybody here would like to have on the
11 record, off the record. But that Apple computer sitting in
12 front of the Chairman has more teaching ability than all the
13 teachers in St. Thomas but people don't understand how to
14 use it yet still, not only here but most places because the
15 teacher unions don't like that idea.

16 There is something that I would always encourage
17 adults to do as I would encourage all children is something
18 that some people know about and some might not. It's called
19 the Khan Academy, K-h-a-n, Academy. Now if you haven't seen
20 it you should go on line. It teaches every subject you
21 learn in high school. You can watch it when you want. It's
22 simple. You don't feel embarrassed if you don't understand
23 it the first time because you can play it over and over
24 again. You can blog with other children or people your own
25 age to learn the same subject or maybe having the same

1 problems you have. I don't understand how miosis works or
2 mitosis in bio-medicine.

3 So I can blog now and say who else? Can someone
4 explain to me how the chromosome split and they get answers.
5 So, yes, it's a tremendous amount of things to be done.

6 THE CHAIR: You know we were having
7 that discussion the other day and that's a serious shift
8 now. Because the most important thing is teaching kids how
9 to learn on the Internet because all of the information is
10 already there. They don't need to sit. Florida has this
11 future school I think it's called Florida Virtual School.
12 And they have their whole high school curriculum on line for
13 anybody in the nation to go on and do it. But in the Virgin
14 Islands like Iceland we are in the middle of nowhere.

15 MR. EPSTEIN: You see that's sort of
16 insensibly the same thinking I grew up with. But the middle
17 of nowhere just like Africa you have an Apple computer
18 sitting on the Internet. So in fact you are not in the
19 middle of nowhere. You are in the middle of everything.
20 You are in the middle of everything. You just have to
21 understand how to use this thing. And it's not taught in
22 the school.

23 And not only are the computers now used to say so
24 you can learn Algebra but it turns out -- and if again let's
25 look ten years down the road if I'm successful it turns out

1 that with 14 people in the room everyone has a different
2 learning skill and they learn differently. Some people are
3 very visual. Once they see a motorcycle part they can put
4 it together. I can't. Some people need to hear it verbally
5 because they learn verbally. Some people learn visually.
6 Some people have a combination of the two.

7 If you go back 500 years there was not one person
8 that sat in the classroom and said to the people in the
9 field sit in here and let me lecture you and don't move
10 while I do it. In fact as I described it the thing that
11 everyone learns to do and really learns well is to walk and
12 no one taught them. No one taught you to walk.

13 THE CHAIR: So what you are
14 suggesting is in 10 years we may be able to have a -- your
15 same product that would be able to take a genetic code of
16 how somebody is, figure out what is the best way for them to
17 learn and put it on the Internet for them?

18 MR. EPSTEIN: I don't want to say --
19 that's pushing it but yes. It's the Frankenstein version
20 but it's true, yes. In fact it will turn out that certain
21 people can learn certain things. Certain people can move
22 through space differently.

23 So your skill set if you think about it the
24 questions that people ask are questions they have to find
25 the right person to ask. You want to find the best doctor.

1 If you got sick and I got sick we go to the best doctor.

2 The best doctor for a 100 percent likelihood is
3 connected on that machine somehow. So how can you find that
4 person in the right place that's connected with that
5 information? It's really exciting.

6 THE CHAIR: That is.

7 MR. EPSTEIN: Yes, but things like the
8 Khan Academy you don't need -- if you want to learn
9 mathematics you don't really need to go to high school.

10 THE CHAIR: So why can't we fix the
11 LEAC, man, if we can do all of that?

12 Anymore questions?

13 MR. SMOCK: Mr. Chairman, for the
14 record to follow-up on Commissioner Millin's question and
15 comments, this application did request fewer than 10
16 persons. But Section 708 of Title 29 Subsection F does
17 provide for the record that:

18
19 To be eligible for the granting of
20 benefits you must employ at least
21 10 persons on a full-time basis.

22 And such enterprise and all employees
23 and such enterprise shall be subject
24 to the exceptions contained in Section
25 711 of this subchapter be residents

1 of the United States Virgin Islands
2 provided however that the applicant may
3 employ fewer than 10 such persons upon
4 demonstrating to the Commission that the
5 employment of this number of persons in
6 his particular enterprise would not be
7 economically feasible or practical. And
8 upon a further finding by the Commission
9 that the desirability of the proposed
10 enterprise outweighs the fact that it is
11 not labor intensive.

12
13 I believe this application also ask for a
14 residency reduction also. But it is permitted under the
15 code if this commission so finds.

16 MS. HILL: And if I may, Mr.
17 Chairman, the amendment to the legislation to reduce the
18 five, we have submitted to Senator Malone the appropriate
19 wording. And my understanding is that that amendment is to
20 be dealt with on Monday by the Committee of the Whole to
21 address the EDC requirements. So we should be okay.

22 THE CHAIR: Fantastic. Maybe we
23 don't have to do anything.

24 Anymore questions?

25 (No Response)

1 THE CHAIR: Thank you.

2 MS. KELLERHALS: Thank you.

3

4 (Thereupon, Marjorie Robert, Esq., Renee Andre,
5 Esq. and Daniel Coosemans were duly sworn in by Attorney
6 Smock.)

7 .

8 THE CHAIR: Proceed.

9 MS. ROBERTS: Good afternoon. I'm
10 excited to be here this afternoon with you, Commissioners
11 and the EDC staff and observers. And I'm here today on
12 behalf of my client, DM Management, Inc. which I will refer
13 to as DIAM. With me today is Mr. Daniel Cossemans who is
14 the sole owner of DIAM. And I'm also joined by my
15 colleague, Renee Andre who assisted in preparing the
16 application.

17 And at the outside I will just indicate that we
18 actually have two totally different businesses both owned by
19 Mr. Cossemans. So we are going in sequence.

20 DIAM is applying for EDC benefits as a
21 Category --

22 THE CHAIR: One second. I want to
23 specifically note that because on the agenda it's one item
24 but it's actually two companies.

25 MS. ROBERTS: DIAM is a single company

1 and then I think Asset Recovery Management is a separate
2 company. So I think they are separate on the --

3 MR. SIMMONDS: It's two items on the
4 agenda.

5 MS. ROBERT: Right. And we wanted to
6 start with DIAM but frankly it's the first business which
7 you will hear from Danny that he started. So we are sort of
8 going in sequence of this development of the two businesses.

9 But DIAM is applying for EDC benefits as a
10 Category IIa designated service business providing business
11 and management consulting services, a broad range of
12 services primarily within the wholesale produce industry and
13 its spin off markets to clients outside of the Virgin
14 Islands. And if any of you check I think it's Coosemans
15 Worldwide there is a website that goes into detail about the
16 Coosemans global business. And we've also described it in
17 the application.

18 DIAM will be located on the Island of St. Croix
19 in the town of Christiansted and will make a minimum capital
20 investment of 130,000. And in anticipation or in hopes of
21 getting benefits Mr. Coosemans has identified a building but
22 will not enter into a binding lease until he is approved for
23 benefits. And he also, I think, has a contract pending on a
24 condominium also conditional on benefits.

25 DIAM will employ a minimum of five full-time

1 employees within one year from the date the certificate is
2 signed and all of those employees will be V.I. residents.
3 So we would ask for a waiver along the lines under Section
4 708 if the statute has not been amended appropriately. But
5 in addition DIAM will commit to an additional three
6 employees by its fifth year of operations. So we are
7 seeking a waiver of the minimum employee requirement from
8 ten to five for the first year and from ten to eight over
9 the first five years from the commencement of operations or
10 from the date the Chairman signs the certificate.

11 DIAM will provide its employees and their
12 dependents with a 100 percent paid health insurance. It
13 will provide each employee with up to 30,000 in term life
14 insurance. It will provide a 401(k) or a similar plan in
15 which it will contribute three percent regardless of whether
16 the employee contributes and then it will match up to two
17 percent of additional contributions. So if an employee
18 contributed two percent of their salary, then DIAM would
19 contribute five percent. And we've also indicated in our
20 application the vacation, sick leave and holiday policy.

21 With regard to charitable contributions DIAM will
22 contribute a minimum of 50,000 annually to charitable causes
23 in the territory commencing in the first full calendar year
24 following the commencement of benefits. At least 17,000 of
25 DIAM's annual contribution will be directed towards

1 education including public school programs and initiatives.
2 Of the overall contribution 3,000 will go to the Territorial
3 Scholarship Fund and the remaining contribution will be
4 directed to a variety of charitable causes including
5 education, community revitalization, family, religion,
6 women, the arts and animals. To the extent it's in the
7 statute DIAM will also contribute 2500 annually to the
8 Department of Labor for the creation of management of a
9 database designed to recruit Virgin Islanders living abroad
10 who desire to move back to the U.S. Virgin Islands.

11 The other thing that Danny and I had talked about
12 and talked with others about after submission of the
13 application, which I'll elaborate much more and it's really
14 not part of DIAM but would be a willingness to work with
15 local agriculture. You'll hear that the global Coosemans
16 companies own a number of farms, for example, in Peru and
17 Central America and they have worked closely with agronomist
18 and other professionals on what types of fruits and
19 vegetables work well in different atmospheres and different
20 soil conditions. And we hope to meet with the Department of
21 Agriculture and see just as a volunteer if there is any way
22 that we can be of assistance in that regard as well.

23 Without further ado I'll hand the table over to
24 Danny.

25 MR. COOSEMANS: Thank you for seeing me.

1 You know it's all a little new and different. But I'm
2 originally from Belgium and I started thinking about produce
3 after I came back from the Army. I was in the Belgium army
4 stationed in Germany. And then when I came back on my
5 background I was in the diamond business. And when I came
6 back from the Army the Bears company starts closing down the
7 small companies and take over the whole diamond industry.
8 So there was very little room for us to grow.
9 So that's where we started in a different direction and
10 started looking to export fruit and vegetables at that time
11 to Germany.

12 So after we started that business and we started
13 shipping a local produce from Belgium to Germany we also
14 started shipping a specialty item that we had in Belgium at
15 that time, Belgium Endive we started shipping it to the U.S.
16 After a couple of years of working the two markets we have
17 to decide which market to take for different reasons,
18 capital reasons and for geographic reasons where we ship to.

19 So then we decided to focus a 100 percent on the
20 U.S. So we started with a specialty company in Los Angeles
21 in the early 80's, then we went to New York, Miami and then
22 we spread over the whole United States. We are specializing
23 in specialty produce, the cactus pear, the bell peppers,
24 Belgium Endive,

25 So it was a growing market in the late 80's and

1 the 90's. And we started developing then after that because
2 now over time most of the supermarkets and everything in the
3 U.S. they like to see produce growing closer home. So we
4 also have farms in Florida and in California and also have
5 farms in Peru and Guatemala.

6 What I really do on this is I developed a company
7 and have it as a wholesale produce company in the city and I
8 have a partner running that. I own part of the company and
9 that's part of how we connected with all these locations. I
10 couldn't be here if I had to run all the produce companies
11 all over the country. It's not a franchise. It's an
12 ownership from the partner that run it.

13 So my business is to keep the way you run it.
14 And we make sure that all the farms are all lined up, that
15 the farms have the lights, food safety that we also do from
16 our office, make sure we have the contracts with the
17 purchases of the water and the safe ways, and make this
18 wholesale place that's small in their city but it's big
19 globally because it's connected to what we do.

20 So my main headquarters was in Miami until about
21 ten years ago and then I started splitting it between Panama
22 and Miami because -- the main reason why is because I like
23 the tropical and I like the way Panama was and is. So we
24 moved part of our headquarters over there. So I spend about
25 a little bit less than half my time over there and half my

1 time I'm traveling in our Miami office. So all the time we
2 are thinking on how we can bring this back all to U.S. soil
3 because now we are the Miami part there.

4 And when I find out about the economic
5 development program I said that maybe that's a way that we
6 can do it. And so we came to visit -- well, I came to St.
7 Thomas many times on vacation but then I came specific to
8 see what we can do here. And then I went to St. Croix and I
9 fell in love with St. Croix because of the open area, the
10 places for farming. There is a different environment and
11 that's what we tried to do.

12 MS. ROBERT: And we mentioned
13 management consulting on page 18 of the application. We
14 included a lot more sort of details of the types of things
15 that will be done here such as database management, document
16 compliance for growers and suppliers, quality control,
17 coordinating food safety, documentation, financial
18 statements, database of all sales made so they can track
19 what sells passed where and that will all be centralized
20 here.

21 So all the systems -- and centralized marketing
22 such as company wide marketing plans and media and ongoing
23 customer relations. So that's sort of the type of thing
24 that we are talking about.

25 MR. COOSEMANS: And financing for the

1 small farms that started off.

2 THE CHAIR: And that will be handled
3 by DIAM?

4 MS. ROBERTS: Yes, here in the Virgin
5 Islands.

6 THE CHAIR: Commissioner Maduro.

7 MS. MADURO: I have no questions.

8 THE CHAIR: Mr. Penn.

9 MR. PENN: In your projection you
10 have an item leasehold on your sheet that seems to be your
11 investment, am I correct, your full investment?

12 MS. ROBERTS: In the?

13 MR. PENN: In the projections.

14 MS. ROBERT: Five-year projections?

15 MR. PENN: Yes.

16 MS. ROBERTS: No, the leasehold
17 improvements is part of the capital investment. I think we
18 had 130 as capital investment. And so there is also, I
19 think, furniture and --

20 MR. PENN: I'm just saying is that
21 when I see it here in the five-year projection I'm thinking
22 it should be shown in the projections.

23 MS. ROBERTS: That's a good point. We
24 are not trying to double count.

25 MR. PENN: So when I saw it there

1 and in the other one the same thing. So I'm just saying
2 that's one thing that needs to be --

3 MS. ROBERTS: And the other thing
4 which I don't think Danny mentioned is he is looking
5 initially at the lease. But I think if things go well he
6 also looked pretty extensively to build or in effect
7 build --

8 MR. COOSEMANS: Rebuild. And not to say
9 that everything goes well, it's part of the program. What
10 happened was we started with trying to buy a building in St.
11 Croix. We negotiated with one person. And then the time
12 frame is too short because the building have to be rebuilt
13 and there is no time frame of doing that. And then also the
14 building where we were looking to even if we rebuild it was
15 only short-term because we want to expand more over time.

16 So we need a bigger building. So we have a
17 couple that we looked to at one particular round that I'm
18 really interested in and want to proceed on it as soon as
19 possible. But it takes a year to rebuild the whole building
20 anyway. So that's why we have a lease of a one and two-year
21 contract depending on the approval.

22 MS. ROBERTS: So we'll adjust that.

23 MR. PENN: And my second question
24 is I'm looking at the salary and wages in year five and it's
25 a little less than double year one. And the PFM income does

1 not rise on the same basis. What is your rationale for the
2 increase in salary and wages? Is it the number of
3 employees? Is it wages?

4 MR. COOSEMANS: It's the number of
5 employees and raises because I have to alone train. So more
6 over time I train more people to do more.

7 The salary -- the income of the company is all
8 dependent on the economy in the U.S. If the economy is
9 going better and better, then the income rise. If the
10 economy is going to stay or going down then we are going to
11 lose income because that's where it's based on. But the
12 increase of the expenses it's on labor because we need more
13 people but it take time to get there.

14 MS. ROBERTS: I think we showed an
15 increase in employment between the year 2016 and 2017 of
16 three employees. That's where the ramp-up was reflected.

17 MR. PENN: I see the three. It's a
18 bit more. So I was just trying to figure out if it was
19 anticipated raises or whatever. It's nearly a 100,000 more.
20 But, anyway, I'm straight.

21 Thank you, Mr. Chair.

22 THE CHAIR: Mr. Allen.

23 MR. ALLEN: I don't have any
24 questions.

25 THE CHAIR: My question, the only

1 question I have I had the pleasure of meeting Mr. Coosemans
2 before for the record. But my only question is on the
3 salaries. They just seem a little low for the 35 and 40,000
4 for the associates and stuff. That was my only question.

5 And I know you've already started some of your
6 operation already, right?

7 MR. COOSEMANS: No.

8 THE CHAIR: You haven't started
9 anything yet?

10 MR. COOSEMANS: Here, no, no.

11 THE CHAIR: So the market will
12 dictate what those salaries will be.

13 MR. COOSEMANS: Yes.

14 THE CHAIR: But I had a long
15 conversation yesterday with the Legislature about living
16 wages and you seem to be in order. So more than that I
17 don't have any questions.

18 Mr. Simmonds, do you have any questions?

19 MS. ROBERTS: One of my questions was
20 what's the best vegetable? You should tell everybody.

21 MR. COOSEMANS: Well, our main vegetable
22 was Belgium Endive for years and years but now our biggest
23 mover is asparagus out of Peru. That's the biggest mover.
24 Most of it is out of Peru, yes.

25 And it's grown in -- that's a very interesting

1 way. It's growing in deserts. It's absolutely deserts, a
2 100 meter sand deep. But there is water because you have
3 the Andes that's full of water and then you have the ocean
4 and it drains under, and about 150 meters to 800 meters
5 there is limited water under the desert.

6 So when you have water -- and there is no rain.
7 So there is no fungus. That's why it's the best place to
8 grow basil and asparagus because there is no fungus.

9 MR. PENN: You mentioned that you
10 do finance some of your farms?

11 MR. COOSEMANS: Yes.

12 MR. PENN: Would any of that
13 operation be done from St. Croix?

14 MR. COOSEMANS: A hundred percent, yes.

15 MR. PENN: All of it will be done
16 in St. Croix?

17 MR. COOSEMANS: Yes. It's a way that
18 it's different directions how the farms can benefit from
19 that. There is a way we can make arrangements that we get
20 advances for growing before, then you have the benefit of
21 when shipping the merchandise to get some part of the money
22 already in the shipped merchandise. And it's only related
23 to our companies, not the farms but the receivers. Because
24 what we are doing is, how we can manage it is because we
25 make the receiver, our own company liable for the agreement

1 that is done.

2 So if a farm is out of Mexico and the shipping is
3 out of a container and the relation between the farm and our
4 receiver is so good that there is trust and if they sign off
5 we will release money direct to the farm. And there is
6 different, different ways of -- a hundred different ways of
7 how to help the farm to do it.

8 MR. PENN: Looking at it from an
9 accounting standpoint do you record that? Are there any
10 interest charges on -- if it's financed I figure --

11 MR. COOSEMANS: Yes, there is a fee.

12 MR. PENN: And in your structure
13 you just have fee income.

14 MR. COOSEMANS: Yes, I saw that too
15 because what we saw as the global name of income it's not
16 all, you know, the same.

17 MS. ROBERTS: It was harder to predict
18 the interest income. And if the interest income is from
19 farms outside of the U.S. it does fall under effectively
20 connected. We understand that if there is U.S. sourced
21 interest income then it would --

22 MR. COOSEMANS: But it's not interest.
23 It's a fee on what it is because the payment terms -- it's
24 not calculated on the payment terms. It's a fee that get
25 created on what particular advance we are doing.

1 MR. PENN: Well, when I hear
2 financing I think of interest.

3 MR. COOSEMANS: Because farming
4 interest -- financing farms is very difficult. Banks don't
5 want to deal with it. It's very difficult.

6 So for us we have a niche on it because we are
7 the receiver. So one thing we have secured but we still
8 have to get --

9 MR. PENN: Well, as a director of a
10 bank, our bank I'm always interested to hear how different
11 people do things.

12 THE CHAIR: So it's not the same as
13 advance crop purchasing because it's kind of a gamble too.
14 If I buy your crop -- if you are growing coffee beans and I
15 buy your crop early on in the season and it grows and for
16 some reason there is a coffee shortage in the world, my
17 price is secured, there is a certain --

18 MR. COOSEMANS: No, the price is not
19 secured on that. This is market price. It's just straight
20 financing.

21 Now we have contract pricing that we grow with
22 the price in advance. Like I said most of the asparagus in
23 Peru are growing under contract pricing and with advances
24 and with also financing on there but that's on a fixed
25 price. But the price is not part of this agreement. That's

1 why I'm saying there are so many different variables. If
2 you make a box like a bank do, then it's very difficult to
3 fit it in a box.

4 So we made a global that soon we see that -- and
5 also there are risk factors with the farms it's less because
6 we sent our own agronomist to see that people are planting,
7 to see that we are doing the right thing when the harvest is
8 coming. And we make sure that we have people on the ground
9 to make sure that all the merchandise is coming. There is a
10 lot of things going on there.

11 So that's why I'm saying it's not an interest.
12 It's a fee that have to be -- we term it different ways and
13 different -- to different applications.

14 THE CHAIR: I read in your
15 application that St. Croix will now be the headquarters,
16 global headquarters for Coosemans Worldwide. Do you have
17 any interest or a majority interest in any other businesses
18 besides Coosemans that will not be part of that?

19 MR. COOSEMANS: Yes, we are looking to
20 see what else because I'm going to live there. So I'm going
21 to have to look around to have different things.

22 Yes, we are definitely interested in doing other
23 things. But also we have another company that's part of me
24 being in there. It's the same headquarters.

25 THE CHAIR: Right.

1 MS. HILL: Mr. Chair, if I may
2 through the Chair, a question. Can you clarify for me are
3 you doing logistics management for these farmers? Is that
4 part of what you will be providing?

5 MR. COOSEMANS: Yes, we have logistic
6 management by air and by boat.

7 MS. HILL: And do you own that
8 service? Is that part of your company?

9 MR. COOSEMANS: No, we don't. That we
10 sub out. We just do -- our office and somebody in our
11 office manages it. And it's not the one to one, one
12 container going a particular season. What we are doing it's
13 like contracts like we have with Belgium. From Belgium to
14 the United States we have maybe 300, 400 containers. But
15 that contract we manage here.

16 So if there is a shipper out of Guatemala that
17 ship one container a week, we don't deal with that. We try
18 to make a direct contract with the shipping line or the
19 airline.

20 MS. HILL: So may I follow up to
21 understand. Your operations in Panama where you -- where
22 would these 40 or 400 containers converge, for example,
23 coming out of Belgium?

24 MR. COOSEMANS: They go to all our
25 locations in the U.S.

1 MS. HILL: So you would be
2 shipping -- these containers are received from the farms?

3 MR. COOSEMANS: Yes, shipped from the
4 farms.

5 MS. HILL: The arrangements for the
6 shipping is made by a separate logistic management company?

7 MR. COOSEMANS: The risk contracts, yes,
8 but it's the same name. We don't have no benefit on that.
9 This is just part of our service. You see the worldwide
10 headquarters we are supplying to our companies so much help
11 we can to make them profitable. It's not that we do our
12 little things for them and then charge them for it.

13 So what we are talking about in the logistic part
14 is like say with Belgium we have a contract that we do. Out
15 of Peru we have a contract with the shipping line that we
16 every year renew and go over and talk with them. But the
17 smaller ones we don't -- either the farm or our company the
18 receiving make the deal.

19 MS. HILL: What I'm trying to
20 understand is in looking at the, what is described as the
21 full range of management and consulting services to clients
22 that include a number of things. And one of them is to
23 coordinate and manage the documents on compliance for
24 growers and suppliers, then you provide a database
25 management -- maintenance service.

1 MR. COOSEMANS: We are talking about the
2 logistics or food safety now?

3 MS. HILL: Well, I'm trying to
4 understand the logistic side of what I thought I heard where
5 the containers are all -- let's say you are getting all of
6 the asparagus from Peru and they are moving, who manages the
7 movement of those containers?

8 MR. COOSEMANS: We don't touch --

9 MS. HILL: So you are not involved
10 with any side of the logistic management of shipping those
11 containers out?

12 MR. COOSEMANS: No.

13 MS. HILL: Got you. Thank you.
14 Thanks for the clarification. I was trying to follow along
15 with that.

16 What are you doing in Panama?

17 MR. COOSEMANS: Oh, I liked it there.

18 MS. HILL: I apologize. Let me
19 restate the question.

20 MR. COOSEMANS: My wife is from Panama.

21 MS. HILL: Okay. You see we are
22 interested in Panama for a lot of reasons because of the
23 Canal expansion. So when I read your application and I
24 noticed that the application talked about warehousing,
25 packing housing and distribution offices as part of the

1 service for Coosemans Worldwide, being a former shipping
2 line person I understand logistics and I understand the
3 shipping.

4 So immediately my thought was when I heard Panama
5 because I don't remember reading that if not I would have
6 asked the question earlier was when I saw that part of what
7 you are involved with. Because warehousing, shipping,
8 packing houses are all part of logistics management that you
9 would normally find in a logistic distribution company, and
10 Panama is growing as one of the largest distribution and
11 logistic management outfits into the United States on behalf
12 of companies like yours.

13 So I was curious about your role in Panama to
14 suggest that there is an opportunity because of the
15 bandwidth capabilities here in the territory now and the
16 need for logistics arrangement that is referenced in your
17 application. It's very specific in your application.

18 So I just want to understand that because there
19 is an opportunity for us to understand what is mentioned in
20 your application when it says that you will handle all
21 logistic management of Coosemans Worldwide including
22 providing for, arranging financial services to growers, I am
23 curious about that.

24 MR. COOSEMANS: So I'm only looking for
25 benefits for our locations. So if I -- if we can -- if I

1 find out that San Francisco bring in a container from Mexico
2 and from the big growers and then I find out that these
3 growers also shipped to our location in Atlanta, I will now
4 say -- say our location in Houston and then I said, okay,
5 now we find out the truck is passing Houston, so then we get
6 involved to get this lined up and organized. And if it
7 works on its own, then we leave it alone. If it need
8 babysitting, then we do it. Like we have some that some
9 companies are working together but there is always some
10 friction because there is some competition.

11 So we have trucks coming from Mexico stopping in
12 Houston and Dallas but we do the distribution by computer.
13 We said seven pallets go there and four pallets go there
14 because if we let them do that, then there is a conflict of
15 interest. But if it works without us, we go out and look
16 for another benefit of them because we have to keep this
17 company in the U.S. running because you need new items. You
18 need better transportation because they are focusing on
19 their market. They are very isolated. They are living in
20 their circle with their customers.

21 And what we have to bring into that is -- and
22 that's why we have every year a big convention, the PMA
23 convention that we bring everybody together and then we see
24 what we can do as a group and how we can expend that. So
25 that's our whole role of Coosemans Worldwide is providing

1 like I say the service but it's everything.

2 MS. HILL: So you are all inclusive
3 which includes at some point logistic arrangements?

4 MR. COOSEMANS: Yes.

5 MS. ROBERTS: If necessary.

6 MR. COOSEMANS: Yes, if necessary. We
7 do everything if necessary.

8 MS. ROBERTS: But some autonomy to the
9 individual stores. If it's doing fine they don't need the
10 headquarter to be involved. And I think the jobs that are
11 really going to be created here are to some extent I guess
12 at the expense of Panama?

13 MR. COOSEMANS: Yes.

14 MS. HILL: We have no problems with
15 that at all.

16 MR. COOSEMANS: Panama is growing
17 enormous. It's unbelievable what's going on there. It's no
18 Panama anymore like it was before.

19 THE CHAIR: Miss Benjamin.

20 MS. BENJAMIN: Just one question just
21 for clarification on the record. Mr. Chair, alluded to the
22 fact and you agreed that here would be the headquarters of
23 Coosemans Worldwide. But in our previous discussions and I
24 think clarity is needed that DIAM would be actually
25 servicing Coosemans Worldwide, Inc.

1 MR. COOSEMANS: Coosemans Worldwide,
2 Inc. it's a company that we use and we use the name as the
3 company. In reality Coosemans Worldwide on its own don't do
4 anything else, just the conventions and room arrangements
5 and travel arrangements around the convention area and also
6 carry the office in Panama and Miami are just an
7 administrative office.

8 So in reality Coosemans Worldwide is the mainstay
9 but the operation company of Coosemans Worldwide is going to
10 be DIAM.

11 MS. BENJAMIN: So Coosemans Worldwide,
12 Inc. is a holding company?

13 MR. COOSEMANS: No, it's not a holding
14 company.

15 MS. BENJAMIN: You have an existing
16 holding company because you mentioned that you have fees
17 coming from your holding company.

18 MR. COOSEMANS: Yes.

19 MS. ROBERTS: I mean the structure we
20 put in place is because there are 20 or so different
21 companies each with different ownerships is that we were
22 going to do a centralized holding company. And we already
23 have set him up with one of the CPA's I work closely with,
24 with some of my other clients to review the situation and do
25 the arms length pricing. But it will probably for ease have

1 the centralized holding company setup and have it be the
2 technical client but services will be provided to all of the
3 companies. But instead of doing 20 or 30 different
4 agreements in different countries with different
5 requirements we were going to structure it that way.

6 MS. BENJAMIN: So as of today of the
7 application the holding company does not exist. But should
8 you be granted benefits there is a possible restructuring in
9 terms of --

10 MR. COOSEMANS: It is done. I think
11 it's --

12 MS. ROBERTS: Anyway, it's been
13 formed.

14 MS. BENJAMIN: So through the Chair,
15 I'm going to request that you provide us additional
16 information regarding that structure.

17 MS. ROBERTS: Sure.

18 MS. BENJAMIN: Thank you.

19 THE CHAIR: Anymore questions?

20 MS. ROBERTS: Did you have anything to
21 add, Renee?

22 MS. ANDRE: No. I just thought that
23 Albert was going to jump on the comments about the annual
24 convention and ask him when it was going to be held on St.
25 Croix.

1 THE CHAIR: No, I'll leave it alone.

2 MR. COOSEMANS: That's not within our --
3 we cannot decide that. We do our convention every year
4 together with PMA, Produce Market Association. It's the
5 largest organization of produce in the United States and we
6 do that at the same time, same place.

7 THE CHAIR: Well, you have to let
8 them know, you know, that we are the global headquarters
9 now.

10 MR. PENN: You mentioned that you
11 have an agronomist in your company. That would not be in
12 DIAM?

13 MR. COOSEMANS: No, they are different.
14 You know like in your growing companies like Brook Garden in
15 Miami and Crystal Valley they have their own agronomist on
16 staff.

17 MR. PENN: I just wanted to say
18 that I think that that skill set is something it would be
19 nice that if they come through and assist our development.
20 Agriculture is being touted as an important factor.

21 MR. COOSEMANS: This is absolutely part
22 of the program that we want to do because without having a
23 proper study done, there is nothing you can do. So we like
24 to bring them over and see what the possibilities are and
25 then go from there and then meet with the people in

1 Agriculture and see where we can go from there.

2 MR. PENN: Thank you, Mr. Chair.

3 THE CHAIR: Thank you. Have a nice
4 day. Oh, yes, the other one.

5 So how are we going to -- you are going to do a
6 whole new presentation again?

7 MS. ROBERTS: Yes, but we weren't
8 going to go through his -- he probably wouldn't go through
9 his bio again.

10 MS. ANDRE: Yes, just the side about
11 Asset Recovery, about how that started.

12 THE CHAIR: Proceed. Let the record
13 reflect that we will now hear Asset Management.

14 MR. SMOCK: And the parties are
15 still under oath.

16 THE CHAIR: Asset Recovery
17 Management and that the parties are still under oath.

18 MS. ROBERTS: Good afternoon,
19 Commissioners, EDC staff and observers. I'm thrilled to be
20 here this afternoon on behalf of Asset Recovery Management,
21 Inc. which I will refer to as Asset Recovery. With me today
22 is Mr. Daniel Coosemans who is one of the two owners of
23 Asset Recovery and my colleague, Renee Andre, who was
24 instrumental in putting together the application.

25 By way of background -- and Danny will tell you a

1 bit more -- Danny started Coosemans Worldwide. And when he
2 made some money in the agriculture business -- he's an
3 entrepreneur and was looking for other niches -- he setup a
4 company called Asset Recovery which is going to be
5 relocating here and which I will talk about. Asset Recovery
6 it is anticipated will have in effect adjacent space to DIAM
7 if they are both approved for benefits. But we will work
8 closely with compliance to ensure that everything can be
9 properly monitored as to which space and which expenditures
10 go with which company.

11 And to be honest we thought at one point whether
12 it would be beneficial trying to do them as one company but
13 they really are two different companies with two different
14 business plans and we thought it better to come before you
15 and explain that. And as you will see first year waivers on
16 the employment rather than trying to put two businesses
17 together that really have evolved separately.

18 Asset Recovery is applying for EDC benefits as a
19 Category IIa designated service business providing business
20 and management consulting services within the private and
21 commercial loan industries. In particular Asset Recovery
22 will service, acquire, hold and manage non-performing and
23 performing pools of mortgage notes as well as other
24 distressed real estate investments. All of its clients will
25 be located outside of the Virgin Islands.

1 Asset Recovery will be located on the Island of
2 St. Croix in Christiansted and will make a minimum capital
3 investment of 130,000 and we will adjust the five-year
4 projection as well to not double count the capital. In
5 anticipation of the receipt of benefits Mr. Coosemans has
6 already viewed and tentatively entered into a contract with
7 the building on King Street in Christiansted and he's also
8 pretty much identified a condo not too far away, a
9 four-bedroom condo that he would be acquiring.

10 Asset Recovery will employ a minimum of eight
11 full-time employees within the first year from the date its
12 certificate is signed and will commit to an additional two
13 employees by its fifth year of operations. Asset Recovery
14 will locate one key employee to the Virgin Islands to serve
15 as general manager auditor. And the terms of that person's
16 contract would be that they come for two years and work to
17 train their successor who would be a Virgin Islander.

18 So other than that all of the employees will be
19 Virgin Islanders at the time of hire. But, however, by
20 relocating the general manager auditor you'll have a
21 continual of business knowledge during the ramp up period
22 and it will be easier to provide industry based training to
23 the employees.

24 I should note, too, that Mr. Coosemans will be
25 living here and be involved with both companies. We did

1 count him as an employee of either company. But he'll be
2 critical in training as well.

3 The general manager auditor will provide
4 extensive training to the assistant manager and company
5 operations and industry knowledge again with the expectation
6 that the assistant manager will be promoted within two
7 years. As such we are seeking a waiver of the minimum
8 employment requirement from ten to eight within one year
9 from the commencement of operation to the date the
10 certificate is signed.

11 With regard to benefits, Asset Recovery will
12 provide 100 percent paid health to its employees and their
13 dependents, 30,000 in term life insurance, a three percent
14 contribution plus a two percent match and paid time off and
15 holidays is set out in the application. Asset Recovery will
16 contribute 50,000 to charitable contributions in the
17 territory with 17,000 going towards education, 3,000 to the
18 Territorial Scholarship Fund and 20,000 to other broad-based
19 charitable causes as listed in the application. In addition
20 as required there will be a \$2500.00 annual contribution to
21 the Department of Labor for the creation and maintenance of
22 a database.

23 With that I'll hand the table over to Danny.

24 MR. COOSEMANS: Thank you.

25 In 2004 I think I started investing in buying

1 mortgages and setup a service center to servicing. Over
2 time that company grew and we have a service center in Miami
3 and in Panama. About two years ago -- I don't know the
4 dates exactly but about two years ago I met Jim Fratangelo.
5 He worked for Bay View. It's a large mortgage company in
6 Florida and we were buying mortgages from him.

7 So we got in contact with him and we became
8 partners because I needed somebody to have hands on the
9 ground and have way more experience than I had at that time.
10 So that's how we became partners and setup the system.

11 Now we are maybe servicing about two thousand of
12 our own loans, part are in performing, some are in
13 foreclosure and some are already REOP's. The whole purpose
14 of it is to dissolve the mortgages either by agreement with
15 the borrower to make payments or to get refinanced or if it
16 go in the REOP pool then we rent them out. And that's
17 basically what we are doing.

18 With me moving, with me moving here with produce
19 I have to bring my other baby too. So that's why we are
20 applying for this. And I want to setup a service center in
21 Panama. The way we want to do it is we want to start a
22 brand new company called Asset Recovery Management. This
23 company is going to be set here. We have our main guy, our
24 auditor, that we are going to send here for two years.

25 THE CHAIR: Just for clarification

1 you said Panama.

2 MS. HILL: I'm sure he meant St.
3 Croix. Careful now, we want you here.

4 MR. COOSEMANS: So we will bring him
5 here and he's going to setup a full service center. So what
6 we are doing here is so this is going to be -- this is not
7 going to take much away from Panama or from the U.S. It's
8 going to be new. But we have everything in a row because
9 it's just an extension of what we are doing. It's just a
10 new company.

11 This company it's going to be full servicing. We
12 are going to do servicing for outside companies. We are
13 going to do servicing for our other companies and we are
14 going to do our own servicing what we buy under ARM.

15 Renee came up with ARM because the name was Asset
16 Recovery Management and she said, oh, ARM. So now everybody
17 call it ARM. It's like they have a nickname already. So
18 ARM is going to buy mortgages and is going to service its
19 own mortgages and dissolve its own mortgages and service the
20 other companies.

21 THE CHAIR: So when you said it
22 doesn't do anything to your U.S. company and your Panamanian
23 company, it's not the same portfolio or you are adding
24 something else to the portfolio?

25 MR. COOSEMANS: No, this is all new. We

1 are buying new portfolios for this company.

2 THE CHAIR: Questions from the
3 board?

4 And then the rentals as a part of the Asset
5 Recovery that's a part of ARM?

6 MR. COOSEMANS: No. If ARM gets
7 REOP -- you see when ARM buy a portfolio in that portfolio
8 over the next months some of these mortgages is going to
9 become REOP. When they become REOP --

10 THE CHAIR: REOP is the acronym for?

11 MS. ANDRE: Real Estate Owned
12 Property.

13 MR. COOSEMANS: So they become REOP now
14 we have to do something with it. We put them on the market
15 for sell to dissolve it or if the market is nothing
16 favorable then we keep it as a rental.

17 THE CHAIR: But when you say "we",
18 ARM. So ARM has a rental division, a sales division and a
19 management servicing division?

20 MR. COOSEMANS: Yes.

21 THE CHAIR: With only five
22 employees?

23 MS. ROBERTS: It's eight. I think it
24 goes up to ten.

25 THE CHAIR: Oh, I'm sorry. That's a

1 lot.

2 MR. COOSEMANS: The reason it does so
3 because I see ARM going with -- you know, we have 30
4 employees in the company and in Panama they only do
5 servicing and they have 30 employees. So we see it is
6 growing very fast. But we have to grow from the beginning
7 because also it takes a long time to get all the licenses in
8 place for ARM. If we could pickup the licenses in one day,
9 we can put in at least 20 employees.

10 THE CHAIR: And those are state
11 licenses?

12 MR. COSSEMANS: State licenses.

13 MS. ANDRE: So each state where the
14 loan is --

15 THE CHAIR: Originated.

16 MS. ANDRE: Yes.

17 MR. COSSEMANS: And some states need two
18 licenses, performing and non-performing. All of these
19 licensing need bonds. So it's a long --

20 MS. ANDREA: Process?

21 MR. COOSEMANS: Long process.

22 THE CHAIR: Now, what is your
23 portfolio -- when you say your initial portfolio is going to
24 be servicing, about how many mortgages do you think?

25 MR. COOSEMANS: Here?

1 THE CHAIR: Yes.

2 MR. COOSEMANS: As many as we can
3 handle, as many as we can handle. And we start buying, we
4 will start buying from the U.S. So we have a team together.
5 So our guys are ready to come here to setup a team.

6 THE CHAIR: But do they buy like in
7 block or do they buy like piecemeal, like you buy like 20
8 mortgages and then you have a mix in there?

9 MR. COOSEMANS: Sometimes we have banks
10 that sell us one by one. They want to get rid of this one
11 and we have already -- with some banks we have an agreement
12 that when we talk about the bank bucks, when we have a loan
13 that don't fit into their bucks, we buy it. And if it fit
14 here, we buy it at so much percent of value. It's already
15 designed. So we take in every month two, three, four, five,
16 whatever they want to get rid of it.

17 The other ones is the bids. Like we just lost a
18 big bid with -- I just get the news five minutes ago from
19 Bank United. The reason we lost the bid is because it was
20 too big for us. So we co-bid it with other people because
21 it was like 180 million or something. So it was way too
22 big. So we bid a part of it and then the other party bid
23 the other part. But we don't make it.

24 But, anyway, that's what we are doing. We use
25 Bank of America, Citibank, all of them.

1 THE CHAIR: So when you service the
2 mortgages, right, so you buy a bunch of mortgages, then what
3 do you do? You buy them and you get points on them, right,
4 I mean in terms of what the bank owes or what you owe the
5 bank?

6 MR. COOSEMANS: Right, we buy usable at
7 60 percent of value. That's our usable number of first
8 mortgages. So we buy 60 percent of value and then we start.

9 THE CHAIR: Of the mortgage?

10 MR. COOSEMANS: Of the value. This loan
11 has nothing to do with the mortgage anymore because the
12 mortgage can be more or less. But overall we are buying by
13 value.

14 THE CHAIR: The value of what,
15 though?

16 MR. COOSEMANS: The value of the
17 property.

18 THE CHAIR: Sixty percent of the
19 value of the property.

20 MR. COOSEMANS: Sixty percent of the
21 value of the property.

22 THE CHAIR: I'm in the wrong
23 business.

24 MR. COOSEMANS: It takes sometimes four,
25 five years to get a resolution. Without any income you have

1 to get so much involved in that. Say when we get the
2 mortgage there is maybe already two years if you don't pay
3 the maintenance fee in the building.

4 So say a small apartment in Miami if it's a
5 \$1500.00 maintenance fee, \$2000.00 maintenance fee, it's
6 \$24,000.00 a year that's in maintenance that is due and it
7 takes three or four years to get a resolution. So 60
8 percent sounds a big number but when you come to the end
9 it's just a business like any other business. You have to
10 work hard to make money on it.

11 THE CHAIR: So in the portfolio you
12 have REOP's and you have mortgages that are actually in
13 progress that are upside down?

14 MR. COOSEMANS: Yes, yes. And also we
15 do modifications.

16 THE CHAIR: So what do you manage
17 that with? I mean that's a lot of -- I mean you have a
18 computer, a software system?

19 MR. COOSEMANS: Oh, yes, it's a software
20 system. It's a software system. That's what we do. And
21 also what -- because anywhere we are, where I am, the
22 program is in the clouds. So we download from where we are.

23 THE CHAIR: So in terms of the
24 different do you -- because I mean I would imagine that
25 there is groundwork to be done in specific states where you

1 have these licenses you have agents.

2 MR. COOSEMANS: Yes, we have agents that
3 do the licenses. We have Asset Recovery, the one in Miami,
4 we have a person that do nothing else but licenses. We
5 don't know yet that we can use that person to get our
6 licenses here as a service or that we are going to get the
7 third company outside to do the licenses to get a comparison
8 with our own because I'm not too happy always what happened
9 in our own. And there is companies that provide that
10 service.

11 So maybe for here but I haven't made a decision
12 yet. It's an important -- this may be the most difficult
13 part of the whole business.

14 THE CHAIR: So you do your own
15 packaging and reselling too?

16 MR. COOSEMANS: If we need to. If we
17 see that say ARM mortgages and there is mortgages that
18 perform, they perform at three, four percent it really
19 don't -- it's not an interest for us. So maybe we keep this
20 separate and then we have to sell them on the discount too.
21 So there is maybe a time if we can see that we can place
22 that money in a better location, then maybe we sell to buy
23 better packaging.

24 THE CHAIR: But you have strategies
25 by geographic area too because there is also an inherent

1 value in the property when it increases in value. I mean a
2 lot of stuff is way undervalued now.

3 MR. COOSEMANS: But that's where the
4 REOP's is coming in. If we have a foreclosure and the house
5 become -- the property become our property now we decide are
6 we going to dump it in the market today because we are far
7 away, either in Panama or here or in Miami or it can be in
8 New York. So you are far away. So you never get top
9 market.

10 So we are selling maybe five, eight percent under
11 the market for a quick sale. But if our resolution don't
12 come out to make money on, we say, okay, maybe we rent it or
13 we wait six months. So that's what we are talking about.

14 THE CHAIR: So you deal with
15 individual agents, real estate agents or agents in those
16 cities to handle the maintenance and all of that stuff too?

17 MR. COOSEMANS: Yes. We have a main
18 company that we hire in Miami that do property management
19 and they have locations all over, not locations. They have
20 subcontractors that do everything.

21 And also on the main REOP's we don't do like if
22 the light bulb is broken they don't send us a bill for the
23 light bulb. We pay a monthly fee. They come in the first
24 time. They say, okay, you are going to pay us \$16,000.00 to
25 put this rentable and then we pay the 16,000, and then it's

1 like a monthly fee that we pay and they come. The renter
2 don't call us. If the toilet is not flushing they don't
3 call me a night here. They call the company there and they
4 have to deal with it as part of their maintenance that we
5 buy from them. So that gets all managed from here.

6 But it seems like it's a very complex and
7 complicated thing. But because we are doing it to copy it
8 and having our main person it took me about six months that
9 we've been working on this to convince this guy to come here
10 for two years because that's what we need. Without him it's
11 very difficult. But now I think if the licenses is going
12 fast enough we can grow this company way bigger than what we
13 have here in a short period of time.

14 THE CHAIR: So in your Miami days
15 how many REOP's do you have ballpark?

16 MR. COOSEMANS: I cannot say a 100
17 percent the number but it's in the hundreds.

18 THE CHAIR: That's an interesting
19 business.

20 MR. COOSEMANS: We should, you know,
21 within the five years at least we should have the same size
22 as of the Panama office here.

23 THE CHAIR: And you buy commercial
24 as well as --

25 MR. COOSEMANS: Very little, very

1 little. I try to stay away from the commercial right now.
2 But if it's part of the packaging we don't -- the term of
3 what you want to sell they come out with the packaging and
4 sometime with the slips on loans in there if you don't want
5 and then you have to deal with it. But it's all about
6 numbers. It's all about numbers.

7 THE CHAIR: Any other questions?

8 I'm always fascinated at how many ways there are
9 to make money. It just blows my mind.

10 MR. COOSEMANS: Well, this is ways to
11 work. To make money we'll see after the fact.

12 MR. PENN: On the projections it
13 will be leasehold improvements?

14 MS. ROBERTS: Yes.

15 MR. COOSEMANS: What was he saying?

16 MS. ROBERTS: The five-year
17 projections list leasehold improvements as an expense
18 and we also list leasehold partially as capital. We are
19 making sure that's consistent. And again the goal in this
20 would be to get a building or build a building and it would
21 have separate offices but it would service both companies.

22 MR. PENN: With what you anticipate
23 doing in St. Croix that place you are looking at does it
24 afford you the ability to grow?

25 MS. ROBERTS: I think the current

1 location is good for a year or two?

2 MR. COOSEMANS: Yes, for a two-year
3 maximum but then I want to be on our own. I don't like
4 rent.

5 MS. ROBERTS: But it will provide an
6 opportunity to get started.

7 MR. COOSEMANS: There is a couple of
8 nice -- what we talked about there is a couple of buildings
9 that I looked at. We just have to get it for the right
10 price because everything have to be rebuilt, totally
11 rebuilt.

12 THE CHAIR: You guys is part of your
13 strategy too actually -- I know there is development. And
14 what they did when the economy fell, when the housing market
15 fell is that they bought back all their own units. So
16 nothing in their buildings sold below a certain price.

17 Do you have strategies where you look at
18 communities and stuff and buy just to --

19 MR. COOSEMANS: I never saw that
20 happening but maybe it happened because don't forget we only
21 buy distress. So we don't have very seldom something in
22 Ocean Drive. It's more in Liberty City.

23 THE CHAIR: Martin Luther King
24 Boulevard.

25 MR. COOSEMANS: Yes. So it's distress

1 mortgages and so everything have a problem. That's where
2 you start with. And then there are areas you foreclose on a
3 house and they take everything, the bathroom, the bathtubs,
4 the doors and everything. It's a tough -- like I said I
5 don't want to come in here and change your mind on the 60
6 percent but that's part of the expense.

7 THE CHAIR: Mr. Allen.

8 MR. ALLEN: Have you tried to get
9 licensing for this operation here already?

10 MR. COOSEMANS: For this operation, no,
11 no. We have to start where we started. But we know all the
12 requirements what we have to do.

13 MR. ALLEN: What type of license is
14 required for this?

15 MS. ROBERTS: He's talking about AA
16 local license.

17 MS. ANDRE: Are you talking about
18 the local license?

19 MR. ALLEN: Licensing.

20 MR. COOSEMANS: We don't need the
21 license here that I know.

22 MS. ROBERTS: We'll need a business
23 license.

24 MR. COOSEMANS: A business license, yes.
25 But we don't buy no mortgages or handle no mortgages here

1 from the islands. All the mortgages are in the mainland.

2 MS. ROBERTS: We may get business in
3 management consulting and we may end up getting -- I've
4 worked with Licensing to get broker licenses here possibly
5 that are not good for brokerage in the territory. So we
6 will be getting -- we may have even gotten business and
7 management consulting so far. But we'll probably get broker
8 and business and management consulting. But if the broker
9 has gotten it, it would be with the proviso that it's
10 only -- if they are getting fees that could be considered
11 fee sharing and would require a local broker's license.

12 THE CHAIR: Now I say thank you very
13 much. Have a great day.

14 MS. ANDRE: Thank you.

15 THE CHAIR: Any privileges of the
16 floor?

17 (No Response)

18 THE CHAIR: Motion to adjourn.

19 MR. PENN: So moved, Mr. Chair.

20 THE CHAIR: The meeting hereby
21 stands adjourned.

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23 (Hearing Adjourned)

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CERTIFICATE

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of the foregoing proceedings.

Verdell Porter
Shorthand Reporter