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IN RE: AARON ZAHN-TERMINATION OF EMPLOYMENT  
AGREEMENT WITH JEA

---

SWORN STATEMENT  
OF  
TED HOBSON

DATE TAKEN: Thursday, January 2, 2020  
 TIME: 9:26 a.m. - 10:50 a.m.  
 PLACE: Office of General Counsel  
 117 West Duval Street,  
 Suite 480  
 Jacksonville, Florida

REPORTED BY: Heather M. Thomas,  
 Court Reporter

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I N D E X

WITNESS: TED HOBSON

EXAMINATION  
 By Mr. Powell ..... 5  
 CERTIFICATE OF REPORTER ..... 63

- - -  
 (No Exhibits)  
 - - -

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1 APPEARANCES FOR CITY OF JACKSONVILLE:  
 2 STEPHEN J. POWELL, ESQUIRE  
 SEAN GRANAT, ESQUIRE  
 3 Office of General Counsel  
 117 West Duval Street, Suite 480  
 4 Jacksonville, FL 32202

5  
 6  
 7 APPEARANCES FOR OFFICE OF INSPECTOR GENERAL:  
 8 ROBERT LINSNER, INVESTIGATOR  
 Office of Inspector General-City of Jacksonville  
 9 231 East Forsyth Street, Suite 470  
 Jacksonville, FL 32202

10  
 11  
 12 ALSO PRESENT: MITCH STONE, ESQUIRE  
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 14  
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 16  
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 21  
 22  
 23  
 24  
 25

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1 MR. LINSNER: This recorded interview is being  
 2 conducted at the Office of General Counsel,  
 3 City of Jacksonville. Today is January 2nd, 2020.  
 4 The time is now 9:30 -- or I'll put 9:26 a.m.

5 I'm Investigator Robert Linsner. I'm employed  
 6 by the Office of Inspector General,  
 7 City of Jacksonville. The Office of Inspector  
 8 General is assisting the Office of General Counsel  
 9 with this investigation regarding Aaron Zahn,  
 10 former CEO of JEA.

11 Mr. Hobson, you're being interviewed as a  
 12 witness in this investigation. If at any time your  
 13 status as a witness changes, you will be notified.

14 The attorneys who will be interviewing you are  
 15 Stephen Powell.

16 As a commissioned Notary Public in the State  
 17 of Florida, I'm authorized to administer oaths.  
 18 Please be advised that any false statements made  
 19 during your interview or attempts to obstruct the  
 20 Office of Inspector General's investigation or  
 21 General Counsel's investigation may be used in a  
 22 subsequent prosecution against you.

23 If you could please raise your right hand.  
 24 Do you, Ted Hobson, swear to tell the truth,  
 25 the whole truth, and nothing but the truth?

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1 THE WITNESS: I do.  
2 MR. LINSNER: Okay. Have any promises,  
3 threats, or inducements of any nature whatsoever  
4 been made by me in order to obtain your consent to  
5 this statement?  
6 THE WITNESS: No.  
7 MR. LINSNER: And do you understand that this  
8 recorded interview will be subject to public  
9 disclosure pursuant to the Public Records Law and  
10 other laws of the State of Florida?  
11 THE WITNESS: Yes.  
12 MR. LINSNER: Okay.  
13 TED HOBSON  
14 having been produced and first duly sworn as a witness,  
15 testified as follows:  
16 EXAMINATION  
17 BY MR. POWELL:  
18 Q Good morning, Mr. Hobson. I'm Steve Powell.  
19 I'm with the Office of General Counsel. We have met  
20 before, and I think we've actually done some other  
21 JEA-related work along the way.  
22 Let me also introduce Sean Granat at the end  
23 of the table. Sean is the deputy general counsel for  
24 the tort and employment department of our office. I'm  
25 going to start, and Sean will chime in along the way.

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1 This is not a terribly formal structured questioning.  
2 We just simply want to explore a number of areas with  
3 you. I'm going to lay the groundwork for that and make  
4 sure you don't have any questions before we begin.  
5 And you're accompanied by Mitch Stone today as  
6 well, Attorney Mitch Stone?  
7 A Yes.  
8 MR. POWELL: Good morning, Mr. Stone.  
9 MR. STONE: Good morning.  
10 BY MR. POWELL:  
11 Q Mr. Hobson, we are here today in connection  
12 with the assignment our office received on December 17th  
13 from the JEA board of directors to review the tenure of  
14 Aaron Zahn as CEO of JEA to determine whether grounds  
15 exist to support a termination of his employment  
16 contract for cause.  
17 And that is the narrow point of our meeting  
18 today, and all of our questions will be related to that  
19 assignment.  
20 With that, do you have any questions about  
21 what we're here to do today or anything at all about  
22 this proceeding before I get started?  
23 A No, I don't.  
24 Q Okay. Along the course of our work over the  
25 last couple of weeks, we've identified a number of areas

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1 of interest related to Mr. Zahn's tenure, and as I said,  
2 our only reason for getting together today is to ask you  
3 about some of those matters to determine what you knew  
4 and when you knew it, and literally that's it. If you  
5 have any questions along the way, please speak up.  
6 If you would, just answer as completely as you  
7 can. If you do have a question about not understanding  
8 the question, let me know. I'll be more than happy to  
9 rephrase it and get it straight for you.  
10 Because we do have a court reporter, I do ask  
11 that you let me try to finish my statements before you  
12 begin your answers. I'll do the same as best I can.  
13 And that's simply to make sure that the reporter is able  
14 to get us down clearly.  
15 With that, I know you've been with JEA for a  
16 long time, and I'm not -- I don't want to ask you to  
17 summarize the last what, 40-some years. If you could  
18 just confirm what your position is today and provide us  
19 with a brief description of your job duties and  
20 responsibilities, please.  
21 A Okay. My current title is vice president,  
22 chief compliance officer. There are five groups  
23 within -- or departments within my group. The first one  
24 is audit services. So we have an internal audit group  
25 that's responsible for internal audits as well as

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1 forensics and investigations. They work closely with  
2 the Office of Inspector General in those duties.  
3 The second area, the second department, in my  
4 group is physical security. So the security guards and  
5 all the security processes and functions for all of our  
6 utilities and all of our facilities is in my group.  
7 That group is also -- has the public records group in  
8 it, in security. And also identity security. So any  
9 type of cyber identity issue related to employee ID. So  
10 mainly keeping track of who has what access. We call  
11 that IAM. That's in the security group.  
12 Then I have two compliance groups. One's  
13 called electric compliance, and they're responsible for  
14 the FRCC standards of conduct. We have to comply with  
15 over 1,000 rules in FRCC's -- not standards of conduct.  
16 That was a misstatement -- FRCC's reliability standards.  
17 We're responsible for complying with those.  
18 And I've got a group of three people whose job  
19 it is to ensure JEA complies with and can demonstrate  
20 compliance with the operations and planning standards.  
21 We get audited every three years, and they  
22 actively participate in that and they represent JEA to  
23 the regulators.  
24 The other compliance group is called CIP  
25 compliance, critical infrastructure protection. That's

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1 a subcategory of standards with FRCC. We're also  
2 required by regulation and with penalty and fines to  
3 comply with those standards. So that second group also  
4 has three people, including a director of CIP  
5 compliance. So those are those two groups.  
6 My last group is a one-person group. It's our  
7 ethics officer, currently Walette Stanford. I've had  
8 that for about -- that was a change that was made when  
9 Aaron came over. They moved the ethics officer to my  
10 group.  
11 I previously had had risk management which  
12 included -- when I say risk management in this context,  
13 it's insurance. So they moved insurance to finance and  
14 moved compliance -- or the ethics officer to my group.  
15 Mainly just looking for a group to put it in.  
16 Q Where was it the ethics officer housed  
17 before --  
18 A Previously the ethics was in HR.  
19 Q How long have you been VP and chief compliance  
20 officer?  
21 A Since Paul McElroy took over, and Paul put me  
22 in that position. I do not remember the exact date.  
23 That would have been about the 2008/2009 time frame.  
24 But I don't remember the date. Actually, it may have  
25 actually been later than that. It may have been '10,

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1 '11.  
2 Q Not that important, just wanted to see --  
3 A Okay.  
4 Q -- back into Mr. McElroy's --  
5 A Right.  
6 Q -- tenure.  
7 Prior to the July 23 board meeting, had you  
8 ever had an employment contract at JEA?  
9 A Yes. We had had -- we had -- have had  
10 employment contracts kind of on and off, and I don't  
11 know the history. But yes, I had had a previous  
12 employment contract, but I don't remember when I got it.  
13 It basically -- it was a pretty basic  
14 employment contract, and I don't remember the details of  
15 it now. Not drastically different than the one we have  
16 now, other than there's -- the one we have now  
17 considers, you know, a change in -- a change in -- or a  
18 change in ownership of JEA, and the previous ones did  
19 not. They were just a very straightforward contract  
20 with -- with some amount of pay on termination without  
21 cause.  
22 But it was a very simple employment contract.  
23 Again, I don't remember the details of it. This wasn't  
24 the first time we had employment contracts.  
25 Q Was that previous contract in effect up until

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1 the one that was -- hold on, let me just finish -- the  
2 one that was authorized and executed after the  
3 July 23 board meeting?  
4 A I don't know. There's been some question on  
5 my part. I've worked with HR. I don't remember -- I  
6 don't remember.  
7 Q Would you have a copy of it anywhere?  
8 A I can't find one; I've looked.  
9 Q Would HR have a copy; do you think?  
10 A HR could not find the earlier contract when I  
11 asked them for it. Because we had new contracts and I  
12 wanted to look at my old contract, and they could not  
13 find it and I couldn't find a copy of it, but I know we  
14 had one.  
15 Q When was the employment contract that the  
16 board authorized on July 23 of last year, 2019, first  
17 presented to you?  
18 A I don't recall the date.  
19 Q Do you recall it being presented to you before  
20 the board meeting?  
21 A I don't recall. I was probably not at the  
22 board meeting.  
23 Q Was it ever presented to you and you signed  
24 it?  
25 A I did sign a -- yes. I have executed the

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1 current contract.  
2 I, actually, didn't execute it immediately. I  
3 had discussions with HR, and they said, well, if you  
4 already have a contract, you don't need a new one. I  
5 said that's fine. But then they couldn't find the old  
6 contract, neither could I. So I ultimately executed a  
7 new contract, but it was several months after the  
8 original presentation of the new contract to me.  
9 Q In response, I think, to my first question  
10 about the contract, I think I understood you to say that  
11 this one was different than ones previous in that it  
12 contemplated a change down the road involving the sale  
13 of JEA?  
14 A Yes. I believe that's correct. I don't  
15 believe that was in previous contracts.  
16 Q What was -- what's the basis of your  
17 understanding that the contract and its pieces,  
18 components of the contract did contemplate a  
19 down-the-road sale of JEA?  
20 A I believe -- again, I'm not looking at the  
21 contract. I believe there's some language that talks  
22 about -- and what's the term? It's not change of  
23 ownership. It's --  
24 Q Is the word you're looking for  
25 recapitalization?

3 (Pages 9 to 12)

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1 A I don't know if that's the word that was used  
2 in the contract or not. I was looking for -- there's  
3 another term that just means change of leadership,  
4 change of -- and I can't think of it. I don't recall,  
5 actually, the term that was used. But I believe that  
6 the recapitalization or change of ownership is  
7 contemplated in the new contracts.  
8 Q And what is your understanding of how your  
9 contract would address, from your perspective, a  
10 down-the-road sale of JEA? In other words, what does  
11 your contract -- what would it mean for you if down the  
12 road JEA was sold?  
13 A Again, I need to read the contract. I  
14 didn't -- I didn't read that in preparation for today's  
15 meeting. I believe what it does is assures me of three  
16 years' worth of salary, and so on a change of ownership,  
17 either the new company would keep me for three years, or  
18 they would pay me for whatever part of that three years  
19 that they didn't keep me. If they did keep me, they'd  
20 just pay me. I mean, it's just standard employment. If  
21 there was -- and -- yeah, that was my understanding.  
22 Q Do you recall this being a benefit of any  
23 prior contract you had with JEA?  
24 A A benefit related to change of ownership?  
25 Q Yes, sir.

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1 A No, I do not recall that being in any other  
2 contract.  
3 Q In other words, some form of three-year  
4 protection for you --  
5 A No.  
6 Q -- in the event of --  
7 A No.  
8 Q -- anything happening at JEA?  
9 A I do not recall that in any other previous  
10 agreement.  
11 Q I'm sure we'll come back to the employment  
12 contract and its genesis and related issues down the  
13 road, but let me back up a minute and mention that part  
14 of the reason we wanted to talk to you is your position,  
15 as we understand it, on what is referred to as the  
16 senior leadership team at JEA.  
17 A Right.  
18 Q I have a list of folks that I understand  
19 are -- are or were members of the senior leadership team  
20 prior to December 17th that includes Aaron Zahn, Melissa  
21 Dykes, Ryan Wannemacher.  
22 You're familiar with this group?  
23 A I am.  
24 Q And you are a member of the senior leadership  
25 team?

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1 A Yes. I would like to clarify that that term  
2 is -- is used a little bit ambiguously. Before  
3 Aaron Zahn, the SLT was all of Paul's direct reports.  
4 And so I reported to Paul, Melissa reported to Paul  
5 and -- right. And there was an organizational change  
6 not long after Aaron took over, and he installed what I  
7 will call a top tier. And so we had -- Melissa worked  
8 for Aaron. He hired Herschel Vinyard, who worked for  
9 Aaron. Ryan Wannemacher worked for Aaron.  
10 Am I missing somebody?  
11 Q Shawn Eads?  
12 A Shawn didn't initially work for Aaron. Shawn  
13 initially worked for Julio, and I forget Julio's last  
14 name.  
15 Q I think it's Romero.  
16 A Romero, but then when Julio left, I think  
17 Shawn kind of assumed -- he didn't assume all the  
18 duties, but I think he kind of reported to Aaron. That  
19 was never too clear to me.  
20 But at any rate, Aaron had his direct reports,  
21 and then we had kind of a second tier SLT which were --  
22 so I reported to Herschel and Steve -- and, you know,  
23 Caren and the operational folks reported to Melissa.  
24 And so there was a two-tiered organization, a two-tiered  
25 structure.

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1 Q All right. Let's talk about that a little bit  
2 more in a second.  
3 So do you recall that Mr. Zahn became the  
4 interim managing director and CEO following the  
5 April 2018 board meeting? Does that sound about right  
6 to you?  
7 A It could be. I don't remember the dates, and  
8 I know it was confusing. You know, we hired Aaron, and  
9 then they did a search and then they hired him  
10 permanently. So I guess he was interim in the middle.  
11 You know, for three days it was Melissa and then it  
12 wasn't Melissa, it was Aaron. So that was all kind  
13 of --  
14 Q In any event, I'll represent to you that in  
15 November -- the November 2018 board meeting is when he  
16 became the permanent --  
17 A Okay --  
18 Q -- managing director and CEO.  
19 A Okay.  
20 Q This change in the senior leadership team  
21 structure that you described a second --  
22 A Right.  
23 Q -- ago, did that occur prior to him becoming  
24 permanent, or was that something that whether -- was  
25 that change made after he got the job --

4 (Pages 13 to 16)

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1 A You know, I don't recall for sure. I believe  
2 it was after he became permanent, but I'd have to go  
3 back and look at the dates. Certainly mine was after,  
4 because he moved me after he hired Herschel, and  
5 Herschel came on a good bit later -- well, not a good  
6 bit, but I think a couple months later.

7 Q Do you remember the change as a notable event  
8 in the course of things over at JEA?

9 A Well, it was a notable event to me in that I  
10 was no longer reporting to the CEO; I was reporting to  
11 the chief administrative officer.

12 Q Did Mr. Zahn sit down and explain this change  
13 to you?

14 A We talked about it. He asked me if I liked  
15 it. I said no, I don't. I think there's communications  
16 issues that you're going to have -- you know, we've had  
17 these tiered structures -- I've seen a lot of  
18 structures. And we've had these tiered structures  
19 before where communications is an issue.

20 And so for that reason I really don't like it  
21 as well, but I'm certainly happy to continue if that's,  
22 you know, what you choose. He thought he needed to do  
23 that. I don't recall why he thought he needed to do it.  
24 He felt it was appropriate and required moving forward  
25 that we make those changes.

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1 Q Was this a private meeting between --

2 A This was a private meeting between Aaron Zahn  
3 and myself, and it was -- it was almost an impromptu.  
4 It wasn't a scheduled -- it wasn't -- scheduled -- I  
5 don't recall it being a scheduled meeting. I recall  
6 just talking with him about it.

7 Q Prior to that, had you had other private  
8 meetings with Mr. Zahn?

9 A Very few. When he first came on the board, he  
10 met with all -- each of the SLTs one at a time, and we  
11 just told him what we did and what our section did, what  
12 we were responsible for. That was the first meeting  
13 with Aaron.

14 Q What about anything he shared with you about  
15 his thoughts on JEA?

16 A During that meeting, very little other than  
17 he -- he -- he just -- he thought we needed to look  
18 ahead further and be more strategic, and apparently was  
19 giving him -- I'm just reading between the lines. He  
20 kind of said that apparently he thought what I was  
21 giving him was more tactical. But that's okay. He  
22 just -- you know, no specific plans. He didn't share  
23 much with me at all.

24 Q In that initial meeting?

25 A In that initial meeting.

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1 I had a PowerPoint and went through the  
2 slides, answered his questions, and that was pretty much  
3 it.

4 Q Then on to the board he goes; yes?

5 A On to the board he goes, yep.

6 Q Do you recall a subsequent private meeting  
7 with Mr. Zahn?

8 A We had two or three. I don't know the number.  
9 He would schedule what he called lunch meetings with  
10 each member of the SLT I believe. And I believe I did  
11 two of those. And, again, we mainly talked about  
12 tactical stuff. I represented JEA to several outside,  
13 you know, industry groups and we would talk about that  
14 business.

15 Q Which industry groups did you represent JEA  
16 to?

17 A Florida Reliability -- Florida Electric  
18 Reliability Council, FRCC, which was -- it was both --  
19 it's a funny organization. But it's both a trade group  
20 in Florida for the Florida utilities and then it also --  
21 or it was up until June of last year. It was the FRCC's  
22 designated regulatory agency for the Florida utilities.  
23 So we reported to them and had to comply and had to  
24 demonstrate compliance and were audited by FRCC. So  
25 they were our compliance and enforcement authority, is

Page 20

1 the term they used.

2 That actually changed in June. FRCC went away  
3 as a compliance enforcement authority, and we got  
4 subsumed into the Southeast Regional -- SERC --  
5 compliance group. And so now we report to SERC. I  
6 represented JEA. I was a representative of JEA at FRCC.  
7 I am not at SERC. I was an alternate on the board at  
8 FRCC and Melissa was the board member at FRCC, most  
9 recently. I did the same function for Paul when Paul  
10 was here.

11 Q Any other outside groups that you represent  
12 JEA at?

13 A Not directly. Well, I was JEA's -- I am JEA's  
14 designated NERC contact. This is complicated compliance  
15 business --

16 Q Okay. We don't need to go there --

17 A Okay, good.

18 Q -- right now. Mr. Granat may have some  
19 questions, but I'm okay with that.

20 After Mr. Zahn became the permanent CE --  
21 managing director and CEO --

22 A Right.

23 Q -- did he bring everybody in on the senior  
24 leadership team for a one-on-one luncheon meeting or any  
25 other sort of discussion?

Page 21

1 A He did. He held -- I don't know how many. He  
 2 had several over his tenure here, meetings with the  
 3 senior leadership team. It was common to do it across  
 4 lunch, although they weren't all across lunch, where he  
 5 would share things going on. We would each share what  
 6 we were doing in our group. Yeah.

7 Q Do you recall a first mention in a discussion  
 8 with Mr. Zahn of something called a long-term investment  
 9 plan?

10 A Aaron talked about a long-term investment  
 11 plan. I do not recall the first mention of it, but it  
 12 has been talked about for some time.

13 Q Can you me help out a little bit? I can  
 14 appreciate that you might not have a month and date, but  
 15 we are only talking about one calendar year, 2019;  
 16 right?

17 He became permanent in November of '18. So  
 18 the time frame that I'm talking about is November '18 to  
 19 December of '19.

20 Within that time frame, can you provide an  
 21 estimate as to whether it was perhaps in the first half  
 22 of '19 or the first quarter, anything along those lines?

23 A I think it was probably in the first half of  
 24 '19. Yeah.

25 Q Do you recall a first mention in a discussion

Page 22

1 with Mr. Zahn or a presentation by Mr. Zahn to the  
 2 senior leadership team as a whole, a description of  
 3 something called a performance unit plan?

4 A I don't recall the first time I heard the term  
 5 "performance unit plan", but I did hear Aaron describe  
 6 the potential of the long-term plan that included  
 7 incentives for good performance both if there is no  
 8 change in the ownership and if there is a change in  
 9 ownership.

10 I recall that brief -- it was very brief  
 11 discussion. In fact, Aaron Zahn presented that to  
 12 all -- to all management of JEA which is over 200 people  
 13 at a -- we call them a leadership meeting. They used to  
 14 be called management meetings. Aaron retitled them  
 15 leadership meetings, typically on one -- the last Friday  
 16 of the month.

17 I don't recall which one, but he described  
 18 that in very general terms to everybody in JEA. I -- I  
 19 don't recall if he used the term PUPs, but he used the  
 20 long-term incentive plan and explained it and --

21 Q Explained it in terms of scenarios where under  
 22 one scenario JEA is not sold and another scenario where  
 23 JEA was sold?

24 A I don't recall that specificity in the  
 25 leadership meeting, no, I don't. It was a three-year

Page 23

1 long-term all businesses do this, IOUs do this. We're  
 2 putting one together for us. So you will have not only  
 3 your short term -- because we have a short-term  
 4 incentive plan now. We would have a long-term incentive  
 5 plan.

6 I don't recall him differentiating it being,  
 7 you know, it works this way if -- if there's a recap  
 8 and --

9 Q Yeah, I'm not trying to put the words in your  
 10 mouth. I thought you really did say --

11 A No, and I'm really trying to be honest with  
 12 you. I'm trying to remember --

13 Q I thought you said that initially that he  
 14 talked about incentives and reward tied to performance  
 15 in -- both in a scenario where JEA continued on or where  
 16 JEA was sold?

17 A So he did talk about that. Okay. I don't  
 18 recall if that was in the big meeting that I talked  
 19 about, the leadership team meeting. He mentioned it to  
 20 me. Okay. Specifically we -- it's been three months  
 21 ago or so.

22 Because I had indicated that I -- my long-term  
 23 plans were to retire and leave, and he pointed out,  
 24 well, you know, if you leave -- while you're making your  
 25 decision to leave, remember we got this long-term plan,

Page 24

1 and it's operative whether or not we have a  
 2 recapitalization or some words like that.

3 Actually, he described in terms the  
 4 possibility of being able to benefit from a -- from a  
 5 something. I misunderstood him when he said that. I  
 6 said, so you're telling me that you might want to hire  
 7 me back or there may be consulting opportunities when I  
 8 leave.

9 Because I had indicated it would be early  
 10 in -- in this year, in 2020. He said, no, I'm saying  
 11 the long-term incentive plan might work for you, even if  
 12 you leave.

13 That was a discussion we had and that was  
 14 where we left it. I asked no more questions from him on  
 15 that. I was a little surprised at that point to learn  
 16 that that would make a difference to me if I was  
 17 leaving.

18 Q Do you recall whether that conversation took  
 19 place prior to the July board meeting?

20 A I think it was after the July board meeting.

21 Q All right.

22 A But I don't recall for sure. Like I said, it  
 23 was an impromptu conversation.

24 Q But you do recall the long-term incentive plan  
 25 discussion initially occurring well before the July

Page 25

1 board meeting; correct?

2 A I recall knowing about it before the July

3 board meeting. I don't recall a specific instance when

4 I heard about it.

5 Q Do you recall whether any linkage between the

6 long-term incentive plan and a study being done by

7 Willis Towers Watson?

8 A Yes. I believe he -- well, he referenced a

9 study that's being done to aid in the development of

10 JEA's long-term plan, and I think that is the firm that

11 was doing the study.

12 Again, he represented several times that this

13 was common among investor-owned utilities and

14 non-publicly owned or non-municipally owned businesses.

15 It wasn't terribly common among municipals, but that's

16 what they were trying to do.

17 Q Do you recall when that discussion might have

18 taken place?

19 A Yeah, I believe -- well, not for sure. I

20 believe it may have been during that leadership meeting

21 with all the people involved.

22 Q All right. If you went back to your calendar,

23 do you think you would be able to give us the date of

24 that meeting?

25 A The date of the meeting?

Page 26

1 Q You said it was the last Friday of the month

2 usually.

3 A I mean, I could do some discussion and I could

4 look at my calendar, although the calendar is just going

5 to show a meeting. It will not show what was at the

6 meeting. I mean, that's available. JEA can look that

7 up and figure that out. But he did have a discussion, I

8 believe. I recalled him talking about it at the

9 meeting.

10 Q Would you have taken any notes of --

11 A I didn't take any notes at the meeting, no. I

12 did have a few employees, though, ask me about it.

13 That's kind of why I remember him discussing it and my

14 answer was, I don't really know any more than you just

15 heard. Okay.

16 Q The entire senior leadership team would meet

17 periodically, it's my understanding; yes?

18 A Yes.

19 Q Every couple of weeks?

20 A Yeah. And there -- yes. That's correct.

21 Well, we didn't meet with Aaron every couple of weeks.

22 It was probably longer than that.

23 Q All right. Do you recall a presentation by

24 Mr. Zahn or Mr. Wannemacher regarding a presentation to

25 the entire senior leadership team about the long-term

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1 incentive plan?

2 A No. Again --

3 Q Do you ever remember the long-term incentive

4 plan being discussed by the entire senior leadership

5 team in a meeting with Mr. Zahn?

6 A You know, I know it was to some level, not to

7 any degree. So I never saw -- but I don't know when

8 that was. Let me finish my statement. And I don't know

9 that it was ever presented at a meeting of all the SLTs.

10 I know it was referenced once or twice.

11 It was kind of, you know -- we had heard about

12 it in the management meeting. We knew something was

13 being worked on. Okay. But I never saw a presentation

14 on the long-term incentive plan that I can recall.

15 Q A minute ago you mentioned a discussion with

16 Mr. Zahn and he said, this is something that is common

17 in investor-own utilities. I think you said then he

18 said it was uncommon in public utilities?

19 A Well, I was making -- I'm sorry. Are you

20 finished?

21 Q Is that what he said to you?

22 A Well, he certainly said it was common among

23 IOUs. Did he say it was uncommon among municipals? I

24 don't -- let me restate that. I don't know that. He

25 was contrasting how IOUs do things versus how

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1 municipally owned utilities do things. And so in

2 that -- and he referenced the SL -- the long-term

3 incentive in that discussion.

4 But whether he actually said munis don't have

5 it, I misspoke there. I don't know that he said that

6 exactly. It was implied for sure.

7 Q Are you aware of any municipal-owned utility

8 in the United States that has a long-term investment

9 plan?

10 A I am not, but then I am not up to speed on

11 compensation philosophies and --

12 Q So it's fair to say that you didn't make an

13 independent --

14 (Discussion off the record.)

15 BY MR. POWELL:

16 Q So you didn't make an independent inquiry to

17 determine whether plans like that were either common or

18 nonexistent elsewhere in the United States?

19 A I did not make a study of that.

20 Q At about this time when this concept of a

21 long-term incentive plan, investment plan, was being

22 discussed by Mr. Zahn, did you have discussions with

23 other members of the senior leadership team about the

24 concept?

25 A Hallway conversations, but no meetings, no

1 presentations. I asked a couple people if they had any  
 2 idea what the metric would look like. The general  
 3 answer was no.  
 4 Q What do you mean by "what the metric would  
 5 look like"?

6 A Well, I mean, there's got to be something that  
 7 drives the compensation on a long-term compensation  
 8 plan. Is it net -- you know, is it -- and I'm not an  
 9 accountant. I'm an engineer. That's one of the reasons  
 10 I may not have understood it.

11 But it's got to be some type of metric that  
 12 comes off the financials indicating you're doing bad or  
 13 good or in the middle that's used to set compensation.  
 14 And I know I mentioned to a couple of people if anybody  
 15 had seen a metric. The answer was no, not among my  
 16 second-tier group. No one had seen it. No one saw any  
 17 numbers. I mean, I never saw any numbers on any  
 18 long-term incentive. It was philosophical discussions.

19 Q Eventually the long-term incentive plan  
 20 evolved into what we've referred to earlier as the  
 21 performance unit plan --

22 A Right.

23 Q -- is that correct?

24 A Right.

25 Q And so that I don't have to keep saying that

1 phrase, let's call that the PUP. Okay?

2 A That's fine.

3 Q When did you first --

4 A Hear the term?

5 Q -- hear the term PUP or performance unit plan?

6 A I don't know.

7 Q Do you recall whether it was before or after  
 8 the July board meeting?

9 A No. I don't. You know, it was sometime in  
 10 the middle of the year, but I do not recall the first  
 11 time I heard the term "PUP".

12 Q And as with the long-term incentive plan or  
 13 compensation plan, did you ever receive any metric  
 14 information on the PUP?

15 A No.

16 Q Were you ever informed how many units you  
 17 would be entitled to purchase as the vice president and  
 18 chief compliance officer?

19 A No. I don't think I was ever told how many I  
 20 could buy. I certainly did not know how many would be  
 21 issued, period. Again, I had seen no numbers. I had no  
 22 idea. I don't believe I was ever told.

23 It was a general understanding that the  
 24 ability to purchase PUPs was related to your title, your  
 25 position, as well as your performance review.

1 Q But no numbers?

2 A Absolutely no numbers. You know, no, I just  
 3 don't -- I don't recall being given -- I certainly was  
 4 not -- I'm trying to remember if I even remember how  
 5 much each person could buy. But, no, I was not given a  
 6 number.

7 Q Did you ever see a list that showed anything  
 8 about how many units people could buy?

9 A I never saw any documentation related to PUPs  
 10 that I can recall.

11 Q I asked you a minute ago about the Willis  
 12 Towers Watson, I think that's the correct name of it.

13 A Right.

14 Q Did you have any participation in their work  
 15 in the course of 2019?

16 A No, none at all.

17 I did see a presentation that included their  
 18 work, and it may have been at that management meeting.  
 19 I don't recall, but that was presented.

20 Q When you say "that management meeting", help  
 21 me again when --

22 A The one where they talked about the long-term  
 23 incentive where Aaron presented. It may have been then,  
 24 but I'm not sure if it was then.

25 Q Same question with respect to a company called

1 McKinsey. Are you familiar with their work?

2 A I am.

3 Q McKinsey is a long-term contractor with JEA;  
 4 correct?

5 A Yes. Yes.

6 Q What is your understanding of what they do for  
 7 JEA?

8 A They were developing our long-term strategic  
 9 plan.

10 Q Prior to 2019, did you have an understanding  
 11 of what McKinsey did for JEA?

12 A No. I don't recall when we hired McKinsey.  
 13 We certainly did not have them five years ago.

14 Q Okay. And I may -- I may have switched Willis  
 15 Towers and McKinsey, but be that as it may, you said  
 16 that it's your understanding that in 2019 they were  
 17 helping JEA develop the long-term strategic plan?

18 A Absolutely.

19 Q Did you have any participation in that?

20 A Yes. We had meetings of the whole SLT with  
 21 McKinsey four times, five times, three times, some  
 22 number. Probably four or five is approximately the  
 23 right number, yes.

24 Q And do you recall any discussion at those  
 25 meetings regarding the long-term incentive plan?

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1 A I don't recall discussion with McKinsey. Now,  
2 we had -- we had meetings without McKinsey and -- and  
3 there was a discussion about opportunities for  
4 developing a long-term incentive plan based on metrics.  
5 Yeah, we talked about it, but I don't recall  
6 McKinsey being involved in that at all. It was just the  
7 earlier discussions I told you about where we talked  
8 about long-term incentives in general terms. There was  
9 a meeting, I think it was in April, where -- which is  
10 the first time I heard about the possibility or the  
11 consideration of long-term incentives related to our  
12 long-term strategy discussion.  
13 Q Would that have been the April 4th meeting at  
14 Ponte Vedra?  
15 A At Ponte Vedra, yes, I think that's correct.  
16 Q And this was an off-site meeting of the senior  
17 leadership team; correct?  
18 A That's correct.  
19 Q Did McKinsey present at that meeting?  
20 A I don't recall. The discussion where we  
21 talked about the long-term incentive I believe did not  
22 have McKinsey present. And when I say didn't have them  
23 present, they may have been present, but they didn't  
24 present. They may have had one or two members there.  
25 In fact, my best recollection is they did have

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1 some staff there, but I don't recall McKinsey presenting  
2 at that meeting. They did at other meetings.  
3 Q Do you recall any discussion at the April 4  
4 Ponte Vedra meeting -- a discussion among members of the  
5 senior leadership team about the possibility of a  
6 down-the-road sale of JEA?  
7 A Yes. That was certainly something that was on  
8 the table and considered.  
9 Q And it was part of the discussion at the  
10 April 4 meeting?  
11 A I believe so.  
12 Q All right. Was Mr. Zahn present --  
13 A Yes.  
14 Q -- during the discussions?  
15 A He actually led most of that meeting.  
16 Q Do you remember the tenure of his presentation  
17 at that meeting?  
18 A I'm not exactly sure what you mean by "the  
19 tenure of his presentation".  
20 Q I mean it in terms of his view of the future  
21 of JEA in terms of its challenges and perhaps viability.  
22 A Yeah, I don't recall specific terms, but in  
23 general, he espoused what he has talked about for the  
24 last several months now, the concept that the electric  
25 utility industry is at a turning point and JEA is at a

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1 turning point, and he really believes that JEA wouldn't  
2 be viable in its current structure over the next ten  
3 years, that -- and it's the same thing, either we need  
4 to change the structure and change the rules so that we  
5 can do business differently, or the ownership or the  
6 management leadership of the organization, the character  
7 of the organization, needs to change to stay viable.  
8 That was something that he preached and -- and  
9 that may well have kind of started at that April  
10 meeting. It seems like that may have been where we  
11 heard that first.  
12 Q Would you agree that a discussion of that  
13 nature concerning the thought that JEA would not be  
14 viable in its current structure would be a subject area  
15 that's quite apart from a compensation policy in  
16 general?  
17 A Yeah, I'm not sure how you connect that. I  
18 mean, if you talk about a change of ownership and a  
19 change of structure, I think you almost have to talk  
20 about a change in compensation strategy.  
21 Q Well, do you see any relation between a  
22 project to develop a compensation policy to bring JEA  
23 into conformity with the industry as a whole, any  
24 relationship between that and a discussion that JEA  
25 cannot be viable in its current structure over the

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1 course of the next ten years necessitating some sort of  
2 structural change?  
3 A I may have lost your question there.  
4 We certainly contemplated and talked about at  
5 that meeting different outcomes, change in ownership, a  
6 change in charter and rules for JEA so that we could be  
7 more competitive.  
8 Your question -- your question is how does  
9 that relate to compensation?  
10 Q Yes, sir, or if it does --  
11 A I don't know --  
12 Q -- in your view.  
13 A -- if it does directly, but both were  
14 discussed at that meeting --  
15 Q Okay.  
16 A -- clearly.  
17 Q Okay.  
18 A I guess the implication was that, yeah,  
19 compensation strategy would need to change if the  
20 organization changed.  
21 Q The next off-site senior leadership team  
22 meeting that I'm aware of was on June 11th at Ponte  
23 Vedra.  
24 Do you recall that one?  
25 A I recall what I think is the next meeting, and

1 if June 11th is the date, that's fine.  
 2 Q And what do you recall about it specifically  
 3 that puts you at Ponte Vedra on whatever -- accept from  
 4 me that it was June 11th.  
 5 A It was supposed to be a strategy development  
 6 workshop. We wound up -- the SLT met without McKinsey,  
 7 and basically just did an update of where each one of us  
 8 was and went over goals and things. It was much more  
 9 tactical than strategic.  
 10 And then McKinsey had the second half of the  
 11 meeting, and they were supposed to present their work on  
 12 developing the strategy. The work they presented was,  
 13 very frankly, poor. It hadn't changed much since the  
 14 last time we saw it. We kind of did a couple of  
 15 exercises around some of the thoughts, and I don't  
 16 recall, but they were concepts and what is -- is this a  
 17 good concept, what are the upsides and downsides of this  
 18 concept.  
 19 And I think the general consensus was that  
 20 particular meeting was pretty wasted, was pretty -- not  
 21 very useful, and that was -- that was the feedback I got  
 22 from my peers as well as Shawn -- Aaron seemed pretty  
 23 unhappy with the McKinsey work as well.  
 24 But I don't recall anything else at that  
 25 meeting. I think we even busted up early.

1 Q Was there another meeting of the senior  
 2 leadership team prior to the July board meeting?  
 3 A I don't know. I don't -- I can't recall. I  
 4 could look at my calendar and figure that out, but I  
 5 don't recall.  
 6 Q Okay. After the July 23 board meeting, do you  
 7 recall a couple of days of senior leadership team  
 8 meetings at Ponte Vedra in mid-August?  
 9 A I don't know. I -- I guess I thought we had  
 10 only two meetings at Ponte Vedra; the first one we  
 11 talked about in April, the second one we talked about,  
 12 you said was June 11th.  
 13 Q Let me ask it differently.  
 14 A I don't recall.  
 15 Q Do you remember -- do you recall Mr. Zahn  
 16 pulling the senior leadership team together after the  
 17 July 23 board meeting to discuss the decisions that were  
 18 made at that board meeting?  
 19 A First of all, I don't remember the July 23rd  
 20 board meeting. So I assume you're saying that's when  
 21 the board instructed Aaron to move forward with -- with  
 22 the ITN process. Is that correct?  
 23 Q Yes. It's also where the employment  
 24 agreements were confirmed --  
 25 A Okay.

1 Q -- and the PUP was approved.  
 2 A Okay. I was not at that meeting. Do I  
 3 recall -- I'm sure we -- we frequently had -- in fact,  
 4 we always have debrief meetings after board meetings.  
 5 So I'm sure we had a debrief meeting.  
 6 And we met several times on the strategic plan  
 7 and the implementation of the plan and where we were in  
 8 that process, but I don't recall specific meetings and  
 9 specific dates. I could pick the dates up off a  
 10 calendar.  
 11 At the -- just to help here. At the same time  
 12 that we had those meetings, Melissa would have  
 13 operational meetings for all of the SLT. Okay. And so  
 14 it would -- sometimes it was confusing as to which  
 15 meeting we were sitting in.  
 16 Q All right. Do you recall a meeting after the  
 17 July 23 board meeting of the operational meeting run by  
 18 Melissa Dykes at which the decisions and events of the  
 19 July 23 board meeting were discussed and explained?  
 20 A I don't specifically recall the meeting. I  
 21 expect we had one. If there was an event or something  
 22 that brought it to mind, maybe I could. I just don't  
 23 recall a specific meeting.  
 24 Q At any of those meetings after the July 23rd  
 25 board meeting, was the PUP explained to you?

1 A The PUP was never explained to me at a meeting  
 2 or otherwise. Let me add this --  
 3 Q And by the way, I should have said at the  
 4 outset of all this. As we're going through this  
 5 discussion, if there are items of interest that -- or  
 6 items that you think might be of interest to us, or more  
 7 importantly to the board of directors --  
 8 A Right.  
 9 Q -- with respect to Mr. Zahn's tenure as CEO, I  
 10 invite you to share them with us.  
 11 A I appreciate that, and I'm trying not to be  
 12 narrow in interpreting your questions. My memory is not  
 13 great. I'll be 70 in a few months. And so I'm really  
 14 just -- you know, I think I remember significant events,  
 15 but when you said did you have a meeting on the 24th, I  
 16 don't remember --  
 17 Q I feel your pain. I'm not far behind you.  
 18 But come on, we do okay. So I know you're doing okay  
 19 and I appreciate it.  
 20 So anyway back to the point. You were -- you  
 21 were about to add something?  
 22 A I was going to add that I had a -- so I worked  
 23 for Herschel Vinyard. He -- I didn't have many meetings  
 24 with Herschel, but I had a few feedback sessions. They  
 25 were like supposedly scheduled every week, but we

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1 usually had about out of three of those. So I actually  
2 only met with him three or four times in his tenure  
3 here.  
4 One of the times was my performance review,  
5 and he indicated to me at the performance review that  
6 the amount of PUPs you could purchase would be related  
7 somehow to your performance reviews. So a higher  
8 performance review would allow you to purchase more  
9 PUPs. I recall him saying that to me.  
10 I did not pursue that. I didn't ask any  
11 questions, but I -- but that was mentioned to me at that  
12 meeting.  
13 You know, the other thing he said there was  
14 that he -- he said something like, this PUP program  
15 is -- I don't remember his term, but the indication was  
16 it was well along the way to being finished and that it  
17 had approval by all the legal entities that needed to  
18 approve it.  
19 He said that in the matter of saying I don't  
20 know how much you know about the PUPs, but it's going  
21 along well and it's gotten most of the regulatory  
22 approvals and you need to know that your performance  
23 measure will relate somehow to the amount of PUPs you  
24 can buy.  
25 Q Okay. And this was at your performance review

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1 meeting?  
2 A Yes.  
3 Q I'm going to guess that that date is probably  
4 somewhere on your calendar. I'm going to hope and ask  
5 you, is that date marked clearly on your calendar  
6 somewhere?  
7 A You know, the problem is -- yes. The problem  
8 is my calendar will say two-way with Herschel.  
9 Q All right.  
10 A I may -- I may have a notation on it and I can  
11 look for that.  
12 Q Would you have received a written review?  
13 A No. Well, there's a written review in the  
14 system, but the review just says "exceeds", "meets", and  
15 "below". Okay. There is a written performance review.  
16 Q Okay.  
17 A And it may have the date on it. Well, it will  
18 have the date. Yeah, we can probably find the date.  
19 Q If you would. Mr. Stone is here, and I think  
20 he'll help you with --  
21 A Yeah.  
22 Q -- any take-aways that we have here today.  
23 One would be if you could look to see if you  
24 could find your written performance review --  
25 A Right.

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1 Q -- from 2019. The second would be if you  
2 could find the prior employment contract, that would be  
3 nice. I understand you've searched for it. You  
4 haven't --  
5 A I think that's not likely.  
6 Q All right. But the third would be the date of  
7 this performance review.  
8 A Okay.  
9 Q And if you could simply communicate that  
10 back --  
11 A Okay.  
12 Q -- to me via email --  
13 A It was fairly -- it was -- okay. I'll find  
14 the date. It was -- well, we do performance reviews  
15 based on fiscal years. So it would be around  
16 October 1st. Okay.  
17 Now, we frequently try to get them done before  
18 October 1st. So my guess is it would have been in mid  
19 to late September, but we will try to find --  
20 Q I would appreciate that, and I think you can  
21 also appreciate that time is somewhat of a factor for  
22 us.  
23 A Time's important.  
24 Q The sooner you could find it, the better.  
25 A Okay.

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1 Q Thank you.  
2 MR. STONE: I'll work with him on that.  
3 MR. POWELL: I appreciate it, Mitch.  
4 BY MR. POWELL:  
5 Q Along the lines of these performance units and  
6 this discussion with Mr. Vinyard, do you recall any -- I  
7 know that you said that he represented that the number  
8 of units that an employee could purchase would be  
9 related to their performance review.  
10 Do you remember as well any expression by him  
11 of classification of employees in terms of -- that had  
12 some relation to the number of units an employee could  
13 purchase?  
14 A I don't recall him saying that. That seemed  
15 to be the general -- general knowledge somehow that it  
16 was related to your -- to your position. But I don't  
17 know who first said that, and I don't recall it.  
18 Again, we -- I and my kind of second-tier  
19 peers were very much out of the loop on the PUPs thing.  
20 Q And thank you, because that is my impression  
21 from this conversation. It's my impression from other  
22 conversations. So let me just ask if you could confirm  
23 that for me.  
24 Would you agree that with the exception of  
25 Mr. Zahn, Mr. Vinyard, Mr. Wannemacher, and Ms. Dykes

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1 that as far as you know, no other members of the senior  
2 leadership team were included in any details related to  
3 the PUP?  
4 A I think that's accurate. I don't know for a  
5 fact all of those people were, although I believe they  
6 were, you know, at least cognizant of what was going on,  
7 but I can confirm that the folks at my peer level were  
8 not.  
9 Q But yet at your performance review meeting  
10 with Mr. Vinyard which you think might have been toward  
11 the end of September --  
12 A Right.  
13 Q -- or early October because of the fiscal  
14 year --  
15 A Right.  
16 Q -- calendar, he indicated to you that the PUP  
17 was well down the road and ready to be rolled out?  
18 A He didn't say ready to be rolled out, but he  
19 said it was moving along nicely and it was going to be a  
20 real thing and it would be a, you know -- and his point  
21 was everyone should be happy about that. It's going to  
22 be good for -- good for JEA, good for the employees.  
23 But he didn't specifically say we're ready to  
24 roll it out.  
25 Q Did you -- do you remember any discussion

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1 about the timing of --  
2 A No.  
3 Q -- the rollout?  
4 Did you later come to find out when the PUP  
5 was on track to be rolled out to the employees?  
6 A No, I never did. I heard that it was  
7 effective December 1st. It was -- I probably shouldn't  
8 do this, but somehow I heard that December 1st would be  
9 the start date if everything went well, but I don't know  
10 who told me that.  
11 Q Do you remember hearing that before or after  
12 your meeting with Mr. Vinyard?  
13 A I don't know, and I don't believe he mentioned  
14 it.  
15 Q Whenever it was that you heard of a December 1  
16 start date, for want of a better description, do you  
17 remember having any thoughts about, jeez, I still don't  
18 know anything about the PUP and it's starting on  
19 December 1st, question mark?  
20 A No. Because the December 1st -- like I said,  
21 I never had anybody authoritatively tell me that. I may  
22 have even jumped to that conclusion, because when he  
23 told me it related to my performance review, well,  
24 performance reviews are October. So that doesn't make  
25 any sense either, does it? I don't know. I don't know

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1 how -- where I -- I heard that December 1 would be the  
2 date. I don't recall.  
3 Q In the course of your tenure as chief  
4 compliance officer, have you had the occasion to request  
5 the board take action on things for you?  
6 A Yes. It's not often, but occasionally, yes.  
7 Q And when you have presented matters for board  
8 approval, would you have done your utmost to make sure  
9 that you understood what it was you were asking the  
10 board to approve?  
11 A Yes.  
12 Q And is part of that because in making this --  
13 any presentation to the board for an approval, you would  
14 be in front of the board to answer questions about your  
15 proposal?  
16 A That's exactly why, yes.  
17 Q Given your position at JEA and your  
18 understanding of the -- whether you call yourself a  
19 second-tier team or not --  
20 A Right.  
21 Q -- you're pretty close to the top of the  
22 chain; correct?  
23 A Correct.  
24 Q And you understand that the board of directors  
25 set policy and is the authority for board policy and a

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1 lot of decisions; correct?  
2 A Yes.  
3 Q And you appreciate the importance of the board  
4 being fully informed on matters before they're asked to  
5 take a vote on something; yes?  
6 A Yes.  
7 Q Would you ever contemplate presenting to the  
8 board something for approval without making sure that  
9 you fully understood what it was you were asking the  
10 board to do?  
11 A Well, again, I don't often present to the  
12 board, but I try very careful -- very hard when I  
13 present to the board that I understand what I'm  
14 presenting and that I can answer any questions the board  
15 might ask me regarding that, yes.  
16 Q In that regard would you have expected the CEO  
17 of JEA to have fully understood the details and  
18 ramifications of the performance unit plan at the time  
19 it was presented to the board for approval in July?  
20 A I would expect that, yes.  
21 Q I think you've indicated that you never were  
22 informed of the number of units that you would have been  
23 eligible to purchase; correct?  
24 A Right.  
25 Q Did there come a time when you learned through

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1 one medium or the other what the potential upside of the  
 2 performance unit value could be in the event of a sale  
 3 of JEA?  
 4 A I never heard a dollar number. I heard that  
 5 if JEA performed very well, it could be significant -- a  
 6 significant value to the employees who had bought PUPs.  
 7 But I believe that was the term that was used with me.  
 8 It's just -- and that would have been in the discussion  
 9 with Herschel, that it was significant -- would be a  
 10 significant --  
 11 Q Number.  
 12 A -- value. Yeah.  
 13 Q And that would be as far back as that  
 14 performance review meeting you had with him?  
 15 A Yes, that's correct.  
 16 MR. POWELL: Sean, before I switch topics, do  
 17 you want to -- do you have any follow-up questions  
 18 for long-term incentive plan, PUP related?  
 19 MR. GRANAT: Yeah.  
 20 BY MR. GRANAT:  
 21 Q Do you remember any management meetings after  
 22 the PUP was passed on July 27, larger meetings with some  
 23 of the lower-level managers where questions were asked  
 24 by them about the PUP?  
 25 A What I recall is we had several management

1 meetings that had the format of questions and answers,  
 2 where Melissa and Ryan and others would sit on the --  
 3 sit on the stage and then take questions from the  
 4 management.  
 5 And I do not specifically recall PUP  
 6 questions, but I imagine there were, but I don't  
 7 specifically recall the questions.  
 8 Q Okay. But it wasn't Aaron Zahn answering the  
 9 questions about the PUP in those meetings; it was Ryan  
 10 and Melissa?  
 11 A I don't know. It could have been Aaron.  
 12 Q Okay. And --  
 13 A I do recall Aaron talking about the PUPs in  
 14 one of the meetings that I mentioned earlier, or the  
 15 long-term incentive.  
 16 Q At any of those meetings after July 23rd when  
 17 the PUP was passed, did Aaron speak to that group  
 18 encouraging them to participate in the PUP, explaining  
 19 that this is a benefit and we want all the employees to  
 20 participate, or did he have some other tenure, I guess,  
 21 as far as his view on participation?  
 22 A I don't recall in the group -- I've heard him  
 23 say it's good for everyone and -- but I don't recall the  
 24 format. It might have been in that meeting, but I just  
 25 don't know.

1 BY MR. POWELL:  
 2 Q Okay. Did you always understand with  
 3 respect -- to the extent you understood or provided any  
 4 information about the PUP, did you have a general  
 5 understanding that these units would not be  
 6 automatically bestowed on employees, rather they had to  
 7 be purchased?  
 8 A My understanding was they had to be purchased.  
 9 BY MR. GRANAT:  
 10 Q And was it ever explained to you or did you --  
 11 was it your belief that a benefit that would be gained  
 12 by the PUP would be still tied to individual performance  
 13 or it was just company performance? What was --  
 14 A What I was told at the meeting at the feedback  
 15 with Herschel is that the ability -- the number of PUPs  
 16 you could purchase would be related to your performance  
 17 review.  
 18 Q Okay.  
 19 A There was a second part to your question and I  
 20 lost it. I'm sorry.  
 21 Q And so that's what -- I guess that's what was  
 22 explained to you is what your performance has to do with  
 23 this, is how many you could purchase?  
 24 A That's correct.  
 25 Q And then the value at the end of the day is

1 just based on company performance?  
 2 A That's correct.  
 3 Q Okay. And so what I'm hearing is that you  
 4 had -- you had very little explanation of the PUP and  
 5 you were not in any of the higher-level meetings where  
 6 the design or participation of the PUP or the parameters  
 7 were discussed; is that right?  
 8 A That's correct.  
 9 Q And were you ever in any meetings where --  
 10 where it was discussed who could participate in the PUP  
 11 outside of JEA?  
 12 A No, I was not.  
 13 Q And so -- and specifically, there were two OGC  
 14 attorneys that were at one point set up to participate.  
 15 Did you ever have any discussions with Aaron  
 16 or Herschel regarding that?  
 17 A No, I did not. The first time I even knew  
 18 that was there, that they were considering outside was  
 19 after the board meeting, and when they started looking  
 20 at this -- it came out in the newspaper. I was totally  
 21 unaware there were non-JEA people on the plan.  
 22 Q On a regular day-to-day basis, did you have  
 23 professional interaction with Lynne Rhode?  
 24 A Some, not much. Lynne was very much busy  
 25 doing -- you know, working for Herschel and Aaron in

1 this whole ITN thing. And so pretty much I did not  
 2 interface with her professionally.  
 3 On a couple of occasions, I needed some  
 4 legal -- particularly when she first started, I needed  
 5 some help and so she provided that. I don't right now  
 6 recall the subject. But then I started moving over and  
 7 using the other OGC attorney --  
 8 Q Miriam --  
 9 A Miriam, yeah. Because we were pretty much  
 10 told -- actually Herschel said that she was tied up  
 11 doing all the work she was doing for them and pretty  
 12 much asked us to route our work for Miriam.  
 13 Q So would Miriam help you with basically the  
 14 day-to-day business as usual JEA issues not related to  
 15 the ITN?  
 16 A Absolutely.  
 17 Q And Lynne -- it was your understanding Lynne  
 18 was tied up with ITN matters?  
 19 A Yes.  
 20 MR. GRANAT: Okay.  
 21 BY MR. POWELL:  
 22 Q Let me switch gears, if I could, for a minute  
 23 to another area that's within your responsibility and  
 24 it's the physical security department and specifically  
 25 public records.

1 A Okay.  
 2 Q Do you recall any conversations with Mr. Zahn  
 3 regarding the general topic of public records and more  
 4 specifically JEA's responsibility to comply with the  
 5 Florida Public Records Laws?  
 6 A So there was a meeting with Aaron and Jason  
 7 Gabriel, and our OGC lawyer at the time was Jody Brooks,  
 8 and Kerri where we talked about the process. Now, prior  
 9 to that I cannot give you specific conversations, but  
 10 Aaron would talk to me and say, you know, this public  
 11 records is hard. It's going to be hard to do business.  
 12 I'm not used to having to put everything in the public.  
 13 And I pretty much assured him that we didn't  
 14 have a choice in that, you know, that we comply with the  
 15 law on that, and that it was difficult but we could do  
 16 it and that was the plan.  
 17 He suggested we -- he set up a meeting that I  
 18 mentioned with Kerri, with Jody and Jason -- there was  
 19 another lawyer there from OGC, but I don't recall who it  
 20 was now -- where we looked and we went over our process  
 21 with them and they pretty much developed a change to  
 22 that process which basically -- and it actually more  
 23 formalized the process. It actually is better. It's  
 24 much more specific and a little more formal.  
 25 And then it provides for one last review. If

1 the public relation -- or the public records person  
 2 feels like it needs to be reviewed, they can send it up  
 3 to the business unit to review it for accuracy and  
 4 redactions. And so that step was implemented. We  
 5 agreed on that, drafted that policy, and have been  
 6 operating in accordance with that policy.  
 7 Once we got that in place and operated with  
 8 it, then -- and I didn't get a lot of pushback or  
 9 comment back from Aaron on the public records.  
 10 Q Apart from these meetings with Kerri -- you're  
 11 talking about Kerri Stewart now?  
 12 A Yeah.  
 13 Q And OGC lawyers, in any private meetings with  
 14 Mr. Zahn did you get -- I'll use your term -- pushback  
 15 from him regarding compliance with the Public Records  
 16 Laws?  
 17 A Certainly not -- not after we had those  
 18 meetings. Like I said, prior to having the two or three  
 19 meetings -- I think it was two -- on that, he would --  
 20 quite frankly, would express surprise when he would find  
 21 out that things like personal addresses were public  
 22 record or -- you know, it's -- and frankly, that's not  
 23 uncommon for people that come to JEA from outside the  
 24 municipal world. They're always surprised at what --  
 25 how inclusive the Public Records Laws are.

1 And so, yeah, from time to time, he would say,  
 2 I can't believe we've got to send this address out or  
 3 whatever. But then we had -- like I said, we developed  
 4 this process. Everybody got comfortable with the  
 5 process, I think, and -- and I haven't had -- and I  
 6 never had -- yeah, I didn't have any one-on-ones after  
 7 that that I recall.  
 8 Q Okay. Did he ever direct you expressly or  
 9 impliedly to not comply with a public records -- or not  
 10 furnish a public record in response to a request that in  
 11 your opinion was a disclosable record?  
 12 A No, he didn't. There were a few events where  
 13 he -- we had the discussion, but he never -- I don't  
 14 recall him ever ordering me to not send something in,  
 15 no.  
 16 Q How about by implication?  
 17 A I don't know how to answer that. Again, he  
 18 pushed back on some things, but we complied with the  
 19 law. We would have the discussion, but then we would  
 20 supply the data.  
 21 Q Okay. So from your perspective you don't  
 22 recall an event or an incident where a record was not --  
 23 a record that was in the possession of JEA that was a  
 24 releasable document and had been requested, that it was,  
 25 for reasons directed by Mr. Zahn or through a culture

1 established by Mr. Zahn, not produced in response to the  
 2 request?  
 3 A The only thing that might fit that, I  
 4 recall -- and this was early on before we had developed  
 5 a process and I don't recall the data. But I recall he  
 6 pushed back pretty hard and we were still talking about  
 7 it, and I was indicating that we had to produce the  
 8 document. And as it turns out, the City had the same  
 9 document, and while we were talking about producing the  
 10 document and discussing it, the City produced the  
 11 document. And so the requestor said, I've got the  
 12 document, I'm fine.  
 13 So I don't recall if we ever sent that out  
 14 separately or not. I do recall that one incident early  
 15 in -- early in Mr. Zahn's tenure.  
 16 Q Do you recall what the document was --  
 17 A No, I don't recall what the document was. OGC  
 18 had it -- or I'm sorry, COJ had it, and I'm not sure why  
 19 they would have had it. It may have been employment  
 20 issues. I don't recall.  
 21 Q Did Mr. Zahn ever direct you with respect to  
 22 public records responses that no record needed to be  
 23 produced any earlier than five days after the request  
 24 was received?  
 25 A I never recall being given a number. And we

1 certainly produced them more than -- in shorter than  
 2 five days. Now, a lot of them take a lot longer.  
 3 Q I'm aware, and I appreciate the challenge in  
 4 responding to them. As you can, I think -- I hope you  
 5 understood my questions were not related to the fact  
 6 that sometimes it takes a long time --  
 7 A No, I do understand.  
 8 Q -- to get them as opposed to the desire that  
 9 all publicly releasable records should be produced as  
 10 efficiently as possible.  
 11 And would you say that that is how you run  
 12 your unit?  
 13 A Yes.  
 14 Q I know you didn't meet with Mr. Zahn privately  
 15 on a regular basis; correct?  
 16 A Correct.  
 17 Q You did meet with him one-on-one on occasion;  
 18 yes?  
 19 A Correct.  
 20 Q You were on the same floor as his office?  
 21 A Yes.  
 22 Q Would I be correct in understanding that you  
 23 had the same general degree of contact and exposure to  
 24 Mr. Zahn as any other member of what you've called the  
 25 second tier --

1 A The second tier.  
 2 Q -- of the senior leadership team?  
 3 A I think that's correct. Yeah, I think that's  
 4 correct.  
 5 Q All right. Since he became the permanent CEO  
 6 in November of '18, would you say that you've had a fair  
 7 opportunity to observe his performance as CEO?  
 8 A Yes.  
 9 Q So this is a broad question, and if we need to  
 10 break it down, happy to do so.  
 11 A So can I qualify my last statement?  
 12 Q Sure. Of course.  
 13 A So when Aaron came in and changed the  
 14 structure, operationally everything went to Melissa.  
 15 And so even though on paper I didn't work directly for  
 16 Melissa anymore, I worked for Herschel, all of the  
 17 operational issues, including a lot of stuff, most  
 18 everything focused on Melissa. And I spent time talking  
 19 with Melissa and working through.  
 20 Aaron, from my perspective, was doing the  
 21 strategic thing, and he was not at all involved in the  
 22 day-to-day operation.  
 23 Q Now, you said a minute ago you worked for  
 24 Herschel. You didn't work for Herschel, did you?  
 25 A Pardon me?

1 Q I thought you said you -- after the change  
 2 your direct report was Melissa; correct?  
 3 A No, after the change I reported to Herschel.  
 4 After he hired Herschel. Okay. When the change first  
 5 happened, I reported to Melissa because there was no  
 6 Herschel. But he brought in a chief administrative  
 7 officer at the same time that he brought in two lawyers  
 8 from OGC, and established this -- and -- and so  
 9 initially Mike Hightower and I worked for Herschel when  
 10 Herschel first came on.  
 11 Then Mike left and they hired Sherry, and she  
 12 worked for Herschel, and the two lawyers worked for  
 13 Herschel and I worked for Herschel.  
 14 Q Did the other members of the senior leadership  
 15 team report to Herschel after Mr. Vinyard came on?  
 16 A Reported to Herschel? No. The only ones that  
 17 reported to Herschel -- let me see. I don't want to get  
 18 this wrong -- is myself, Sherry, and Mike Hightower, two  
 19 OGC lawyers, and Paul Steinbrecher. Paul is the  
 20 environmental office. So we worked for Herschel.  
 21 Everybody else worked for Melissa.  
 22 Q Do you know why Mike Hightower left?  
 23 A No.  
 24 Q Have you had any discussions with  
 25 Mr. Hightower since his departure?

1 A The only -- no, not significant discussions.  
2 He was at a JEA meeting where they presented him with  
3 some awards, and it was a, hi, how are you doing, things  
4 are fine. But no substantive conversation with Mike  
5 after he left.

6 Q Okay. So back to your observation a couple of  
7 minutes ago that -- with the change in structure, it was  
8 your -- it is your view that Mr. Zahn really stayed out  
9 of the day-to-day operations of JEA and was -- would  
10 you -- was it -- is it your impression that he was  
11 virtually full time focused on the development of the  
12 strategic plan?

13 A I think he certainly was -- most of his time.  
14 Now, maybe not 100 percent, but a large part of his time  
15 and his work was on the strategic plan. In fact, that's  
16 what he said when he would talk with us, you know, we're  
17 doing the strategic stuff. You guys got to keep the  
18 safety numbers down and keep the operation numbers high  
19 and that's what -- that's what Melissa did.

20 Q Let me just, then, ask you a wrap-up question,  
21 and if you can -- if you have anything, we'd appreciate  
22 it.

23 So my final question would be, given your --  
24 where you worked, where you were situated, the degree of  
25 exposure you had to Mr. Zahn, and in light of your

1 CERTIFICATE OF REPORTER

2  
3  
4 STATE OF FLORIDA  
5 COUNTY OF DUVAL

6  
7  
8 I, HEATHER M. THOMAS, Court Reporter and  
9 Notary Public, State of Florida, was authorized to  
10 and did stenographically report the foregoing  
11 proceedings; and that the transcript, pages 4  
12 through 64, is a true and accurate record of my  
13 stenographic notes.

14 I further certify that I am not a  
15 relative, or employee, or attorney, or counsel of  
16 any of the parties' attorney or counsel connected  
17 with the action, nor am I financially interested in  
18 this action.

19  
20 DATED this 7th day of January, 2020.

21  
22  
23  
24  
25  
HEATHER M. THOMAS  
COURT REPORTER



1 observation that he was pretty much fully focused on the  
2 development of the strategic plan, is there any other  
3 information you would want to share with the board of  
4 directors regarding Mr. Zahn's performance as CEO that  
5 you think might pertain to or bear on the issue of  
6 whether his conduct in a specific sense or any sort of  
7 general way would support the termination of his  
8 contract for cause?

9 A I can't think of anything that I would add.

10 MR. POWELL: I really appreciate your time  
11 this morning.

12 THE WITNESS: Yes, sir. Thank you.

13 MR. POWELL: Okay. We have a wrap-up by our  
14 investigator here.

15 MR. LINSNER: Mr. Hobson, do you have anything  
16 additional to offer or add?

17 THE WITNESS: No.

18 MR. LINSNER: Okay. Just be aware this is an  
19 ongoing OIG investigation and General Counsel  
20 investigation. You're being advised not to discuss  
21 the case with others.

22 The interview is now concluded. The time is  
23 10:50 a.m.

24 (Sworn statement concluded at 10:50 a.m.)  
25



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