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1 IN RE: The Matter of JEA
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 7 Sworn Interview of
 PAT MAILLIS
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 10
 11 DATE TAKEN: Wednesday, January 22, 2020
 TIME: 1:57 p.m. - 5:07 p.m.
 12 PLACE: Office of General Counsel
 City of Jacksonville
 13 Suite 480
 Jacksonville, Florida 32202
 14
 15 Examination of the witness taken before:
 Suzanne R. Robinson
 16 Registered Professional Reporter
 17
 18
 19 RILEY REPORTING AND ASSOCIATES, INC.
 1300 Riverplace Boulevard, Suite 610
 20 Jacksonville, Florida 32207
 (904) 358-1615
 21 info@rileyreporting.com
 22
 23
 24
 25

Page 2

1 A P P E A R A N C E S
 2
 3 Adina Teodorescu, Esquire, and
 Sonya Harrell, Esquire, and
 4 Sean B. Granat, Esquire,
 5 Office of General Counsel
 117 West Duval Street
 6 Suite 480
 Jacksonville, Florida 32202
 7 teodoresc@coj.net
 sonyah@coj.net
 8 sgranat@coj.net,
 9 appearing on behalf of City of
 Jacksonville.
 10
 11 Robert Linsner, Esquire,
 12
 13 Office of Inspector General
 City of Jacksonville
 231 East Forsyth Street, Suite 470
 14 Jacksonville, Florida 32202
 rlinsner@coj.net.
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 18 ALSO PRESENT: Maryanne D. Evans, JEA
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1 MS. HARRELL: Mr. Linsner is here from the
 2 Office of Inspector General. He'll administer
 3 our oath and give a little opening spiel, and
 4 then we'll get right to it.
 5 MR. LINSNER: Okay. Are we ready for the
 6 oath?
 7 MS. HARRELL: We're good to go, yeah.
 8 MR. LINSNER: Okay. This recorded interview
 9 is being conducted at the Office of General
 10 Counsel, City of Jacksonville. Today is January
 11 22nd. The time now is 2:00 o'clock p.m.
 12 I'm Investigator Robert Linser. I'm employed
 13 by the Office of Inspector General, City of
 14 Jacksonville. The Office of Inspector General is
 15 assisting the Office of General Counsel with the
 16 investigation regarding Aaron Zahn, former CEO of
 17 JEA.
 18 Ms. Maillis, you are being interviewed as a
 19 witness in this investigation. If at any time
 20 your status as a witness changes, you will be
 21 notified. The attorneys who will be interviewing
 22 you are Adina Teodorescu and Sonya Harrell.
 23 As a commissioned notary public in the State
 24 of Florida, I'm authorized to administer oath.
 25 Please be advised that any false statements made

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1 during your interview or attempts to obstruct the
 2 Office of General Counsel's investigation may be
 3 used in a subsequent prosecution against you.
 4 Please raise your right hand.
 5 MS. MAILLIS: (Complies.)
 6 MR. LINSNER: Do you, Pat Maillis, swear to
 7 tell the truth, the whole truth, and nothing but
 8 the truth?
 9 MS. MAILLIS: I do.
 10 MR. LINSNER: Okay. And have any promises,
 11 threats, or inducements of any nature whatsoever
 12 been made by me in order to obtain your consent
 13 to this statement?
 14 MS. MAILLIS: No.
 15 MR. LINSNER: And do you understand that this
 16 recorded interview will be subject to public
 17 disclosure, pursuant to the Public Records Law
 18 and other laws of the State of Florida?
 19 MS. MAILLIS: Yes.
 20 PAT MAILLIS,
 21 having been produced and first duly sworn and after
 22 responding "I do" to the oath, testified as follows:
 23 MS. HARRELL: Thank you, Ms. Maillis. I see
 24 that you have the Garrity form in front of you.
 25 And just for the record, let me just get a few

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1 little ground rules out of the way.
 2 I'm with the Office of General Counsel, as
 3 well as is Adina Teodorescu, and I know you're
 4 familiar with her. This interview is solely
 5 related to our assignment from the JEA Board of
 6 Directors to investigate the tenure of Aaron Zahn
 7 as CEO of JEA and to determine whether grounds
 8 exist to the court -- the termination of his
 9 contract for cause.
 10 We've -- your name has come up in several
 11 emails and conversations, and so we just want to
 12 talk to you about those.
 13 You brought your Garrity warning with you.
 14 THE WITNESS: Uh-huh.
 15 MS. HARRELL: And have you had a chance to
 16 read it?
 17 THE WITNESS: Yes.
 18 MS. HARRELL: Do you understand it?
 19 THE WITNESS: Yes.
 20 MS. HARRELL: Okay. And, also, you're
 21 accompanied Maryanne Evans --
 22 THE WITNESS: Uh-huh.
 23 MS. HARRELL: -- from JEA here as your
 24 witness?
 25 THE WITNESS: Yes.

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1 MS. HARRELL: And I'll have you go ahead and
 2 sign and date that at the bottom.
 3 THE WITNESS: Is today the 21st?
 4 MS. HARRELL: 22nd.
 5 THE WITNESS: 22nd (signing document).
 6 MS. HARRELL: And I'll go ahead and sign it
 7 as the investigator and date it on the 22nd. And
 8 we will get you a copy of this for your records
 9 before you leave here today.
 10 (Ms. Teodorescu exits the conference room.)
 11 MS. HARRELL: And you're here -- just to
 12 clarify, you are here at the direction of the
 13 interim CEO of JEA, who is Melissa Dykes; is that
 14 correct?
 15 THE WITNESS: Yes.
 16 MS. HARRELL: Okay. Thanks.
 17 We've got a court reporter taking down
 18 testimony, so it will be easy if all of your
 19 answers are verbal and out loud. So she can't
 20 take down a nodding of the head or shaking of the
 21 head.
 22 (Ms. Teodorescu enters the conference room.)
 23 MS. HARRELL: So if we ask you a yes or no
 24 question, just answer yes or no instead of, you
 25 know, uh-huh.

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1 THE WITNESS: Okay.
 2 MS. HARRELL: She can take that down, but
 3 it's not always clear.
 4 And then all of us need to be careful not to
 5 talk over each other. My questions may be very
 6 predictable, and you'll -- you may know exactly
 7 what I'm going to say, but just let me finish is
 8 before you answer so she's not trying to type --
 9 take down two voices at once.
 10 THE WITNESS: Okay.
 11 MS. HARRELL: And then if you don't
 12 understand one of our questions, just let us
 13 know. We'll be happy to clarify it. Otherwise,
 14 we'll have to assume that you understand the
 15 question and that you're answering it in
 16 accordance with that understanding.
 17 So could you -- and we -- this is not like a
 18 typical deposition. I don't know if you've ever
 19 been involved in one of those. We will -- we
 20 won't go one at a time, answering questions. We
 21 may interrupt -- we won't interrupt each other
 22 because we're not going to do that. We're very
 23 anti-interruption around here.
 24 But the -- we may just kind of go back and
 25 forth in answering questions. So it won't be

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1 kind of like a typical deposition. But can you
 2 just state for the record your name and your
 3 current employer and your current job.
 4 THE WITNESS: Sure. I'm Patricia Maillis. I
 5 work with JEA, and I'm the director of employee
 6 services.
 7 MS. HARRELL: And how long have you been the
 8 director of employee services?
 9 THE WITNESS: Six and a half years.
 10 MS. HARRELL: And what do you do in that
 11 role?
 12 THE WITNESS: I manage the compensation,
 13 benefits, and talent acquisition departments.
 14 MS. HARRELL: So compensation, benefits, and
 15 talent acquisition departments. Are those three
 16 separate departments.
 17 THE WITNESS: Yes.
 18 MS. HARRELL: And so you would have been in
 19 that role when Mr. Zahn began his tenure as
 20 interim CEO?
 21 THE WITNESS: Yes.
 22 MS. HARRELL: And that would have been about
 23 the spring of 2018?
 24 THE WITNESS: Yes.
 25 MS. HARRELL: What did you do before you were

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1 director of employees services at JEA?
 2 THE WITNESS: That's been my only position at
 3 JEA.
 4 MS. HARRELL: Where did you work before that?
 5 THE WITNESS: At a company called Jabil,
 6 J-a-b-i-l. They're an international
 7 manufacturing services company. And I had the
 8 responsibility of regional compensation manager.
 9 MS. HARRELL: In your capacity as director of
 10 employee services at JEA, to whom do you report?
 11 THE WITNESS: To the chief human resources
 12 officer.
 13 MS. HARRELL: And who is that right now?
 14 THE WITNESS: Jon Kendrick.
 15 MS. HARRELL: And was it Angie Hiers before
 16 that?
 17 THE WITNESS: Yes.
 18 MS. HARRELL: Did you report to anybody else
 19 during the transition between Angie Hiers and
 20 Jonathan Kendrick?
 21 THE WITNESS: No.
 22 MS. HARRELL: So what was your involvement
 23 with -- let me back up. Were you involved in the
 24 strategic planning process that was initiated by
 25 Mr. Zahn?

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1 THE WITNESS: No.
 2 MS. HARRELL: Did you attend any meetings
 3 about strategic planning?
 4 THE WITNESS: Not the planning part. When he
 5 was communicating to the general director,
 6 audience, or the employees, I would attend those
 7 meetings, but I was not part of any planning.
 8 MS. TEODORESCU: Are those the leadership
 9 meetings?
 10 THE WITNESS: They would be leadership
 11 meetings.
 12 MS. TEODORESCU: At the library?
 13 THE WITNESS: Yes, ma'am.
 14 THE COURT REPORTER: I'm sorry. What was the
 15 last thing you said?
 16 MS. TEODORESCU: "At the library?"
 17 THE COURT REPORTER: Library.
 18 THE WITNESS: There was also usually, you
 19 know, the board meetings. We might hear about it
 20 at the board meeting if it was being delivered
 21 for the first time. And then there might be a
 22 directors meeting right after that and then a
 23 managers meeting, a larger managers meeting. But
 24 usually I was never involved in any of the
 25 planning.

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1 MS. HARRELL: Were you familiar with the
 2 changes to JEA's compensation board policies,
 3 Policy 2.7?
 4 THE WITNESS: I was not involved in writing
 5 it. I was made aware that they were going to
 6 expand it, but it wasn't until a comp committee
 7 meeting.
 8 MS. HARRELL: In your role as director of
 9 employee services, do you typically attend
 10 compensation committee meetings?
 11 THE WITNESS: No, I have not.
 12 MS. HARRELL: Is it more that they take their
 13 action and then you do what you're told or --
 14 THE WITNESS: When they have meetings. I
 15 mean, they're public meetings, so if I'm informed
 16 they're going to be having it and I think I need
 17 to be there, I'll be there. But for the most
 18 part that's been meeting that the senior
 19 leadership would be at. And most of the time I
 20 would provide some input, but I was not part of
 21 the overall presentation or approval of it or
 22 anything. I would just go as a spectator.
 23 MS. HARRELL: Were you a spectator at the
 24 January 2019 compensation committee meeting?
 25 THE WITNESS: I don't recall. I attended a

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1 compensation committee meeting, but I don't know
 2 if it was that one or not.

3 MS. HARRELL: Do you know if that was -- if
 4 the meeting you attended was one where they
 5 discussed a long-term incentive plan?

6 THE WITNESS: No. The one that I was at was
 7 the general change in philosophy, discussion
 8 about strategy, a timeline of the strategy. It
 9 was a little bit thicker document.

10 But I -- and that was the very first time
 11 that I think I saw that they were changing the
 12 philosophy to include more compensation
 13 components. But I've never been a part of a
 14 meeting where they actually discussed any
 15 specific plan document or design of that plan
 16 document.

17 MS. TEODORESCU: Did JEA commission Willis
 18 Towers Watson to do a compensation study in 2018?

19 THE WITNESS: There was a request via email
 20 to -- that there was going to be a need, and so
 21 they were looking for the -- what do you call
 22 those -- a statement of work, SOWs. It didn't
 23 really come to fruition until January of 2018.

24 MS. TEODORESCU: So when was that email sent?

25 THE WITNESS: Actually, I wrote them down.

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1 And they're not in our -- they're not in our
 2 phones anymore, so -- there was an email on
 3 12/17/2019 that requested them put together a
 4 statement of work.

5 MS. TEODORESCU: I'm sorry. 2019.

6 THE WITNESS: December -- I'm sorry.
 7 December 17th, 2018. Sorry. Thank you. 2018.
 8 I'm losing track of time.

9 MS. TEODORESCU: I know. I think last year,
 10 I think '18 because I think it's '19.

11 THE WITNESS: No. You're right. It was
 12 2018. I apologize.

13 MS. TEODORESCU: And who sent it?

14 THE WITNESS: Angie Hiers had sent it to me,
 15 and then I subsequently forwarded that to Willis
 16 Towers Watson.

17 MS. TEODORESCU: Did Ms. Hiers send it -- was
 18 it her own initiative, or was she directed by
 19 somebody else?

20 THE WITNESS: My understanding was -- in a
 21 one-on-one, my biweekly one-on-one with Angie was
 22 that they were going to be -- that Aaron had
 23 asked that we created -- create an LTI plan.

24 MS. TEODORESCU: And Aaron would be --

25 THE WITNESS: Aaron Zahn.

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1 MS. TEODORESCU: So he requested the creation
 2 of a long-term incentive plan?

3 THE WITNESS: For us to identify the
 4 benchmarks and to do the study and, you know, to
 5 design something, yes. And at that time it was
 6 in 2018. I don't remember the exact time. I'm
 7 thinking October time frame, maybe September.
 8 But I don't have the exact date on that.

9 MS. HARRELL: When you say that he had asked
 10 that "we create an LTI plan," who is "we"? Is it
 11 "we," JEA?

12 THE WITNESS: We, JEA.

13 MS. HARRELL: Did he direct you to consult
 14 with Willis Towers Watson or --

15 THE WITNESS: No. It was, "We want to look
 16 at total compensation." LTI is a part of a total
 17 compensation. And he wasn't giving us a
 18 directive on who to go to. For a matter of fact,
 19 I think he -- you know, if we had the skill sets
 20 to do it, we would have designed -- we could have
 21 maybe designed it in house. But we didn't have
 22 those skill sets, and we wanted a third-party
 23 opinion.

24 So several -- there were a couple of months
 25 that went by that we were not only talking about

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1 LTI, but talking about STI. And we already have
 2 an STI plan in place, so, you know, it morphed
 3 into STI and LTI, and that's when I said, "We
 4 probably need a consultant."

5 MS. HARRELL: And had JEA already done some
 6 work with Willis Towers Watson?

7 THE WITNESS: Yes.

8 MS. TEODORESCU: Were they under contract, or
 9 did you have to issue a -- I don't know -- a
 10 purchase order? I don't know how you handled
 11 this.

12 THE WITNESS: So typically with Towers in the
 13 past -- they've been doing work with us since the
 14 2011 time frame, and they do periodic studies for
 15 us about every two years. And the work that
 16 they've done builds on itself, and that creates
 17 cost savings for JEA as well. And they don't
 18 have to go back and start from ground zero.

19 And so my understanding is from procurement
 20 that that is treated as a sole source, and so my
 21 job was pretty much to -- it wasn't my job.
 22 Angie's job was to work with procurement, to --
 23 you know, we would get the statement of work and
 24 then get procurement to assign the funds as a
 25 sole source.

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1 MS. TEODORESCU: Who was the point of contact
 2 at JEA for Towers Watson.
 3 THE WITNESS: Myself, primarily.
 4 MS. TEODORESCU: And who was the point of
 5 contact at Towers Watson.
 6 THE WITNESS: There were two. It was be
 7 Andrea Deeb, D-e-e-b, and David Wathen,
 8 W-a-t-h-e-n.
 9 MS. TEODORESCU: When did you first contact
 10 them about this study?
 11 THE WITNESS: So let me look at my notes
 12 here. It was on or around late November. We
 13 were emailing them about some STI changes that we
 14 were looking at, and in that email -- it was
 15 11/26/2018 -- the CEO is seeking to put LTI in
 16 place, is what that email says.
 17 So that's kind of the first time that I said
 18 to them -- we had already been talking about some
 19 concepts, but that's when it kind of -- said this
 20 is what we've been directed to do.
 21 MS. HARRELL: By concepts, do you mean LTI
 22 concepts or just --
 23 THE WITNESS: Independent contracts, total
 24 compensation, things of that nature. It wasn't
 25 atypical for me to email them and ask them

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1 questions because they had our data and they knew
 2 it, you know, kind of a resource. So...
 3 MS. TEODORESCU: So what was Towers Watson
 4 expected to do in -- as of November 26, 2018?
 5 THE WITNESS: So we were just -- we weren't
 6 really in an engagement with them at that point.
 7 We did not engage with them until January of
 8 2019, and we didn't have a call with them until
 9 1/4/2019. So that was our first call to actually
 10 solidify what exactly the work was going to look
 11 like.
 12 So in that discussion was where we detailed a
 13 compensation analysis to include looking at, you
 14 know, the competitiveness or appropriateness of
 15 our short-term insensitive plan to the market,
 16 doing a total -- what we call total cash
 17 analysis, which includes, base plus incentives
 18 equals total cash.
 19 And then we also asked them to look at
 20 helping us with an LTI plan, what that looks like
 21 in the market, and helping to develop something
 22 related to that.
 23 MS. HARRELL: Who was on that call?
 24 THE WITNESS: Andrea Deeb should have been on
 25 the call. David Wathen, Angie Hiers, Scott

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1 Strackbine, myself. I think that was it.
 2 MS. HARRELL: Who is Scott Strackbine?
 3 THE WITNESS: He was a compensation
 4 specialist that worked for me. He was one of my
 5 staff.
 6 MS. HARRELL: Is he still with JEA.
 7 THE WITNESS: No.
 8 MS. HARRELL: Do you know where he is now?
 9 THE WITNESS: Yes. He is back at his
 10 previous company, and that was Blizzard,
 11 B-l-i-z-z-a-r-d. It's a big technology gaming
 12 company.
 13 MS. HARRELL: When did he leave JEA?
 14 THE WITNESS: He left around the middle of
 15 November 2019.
 16 MS. HARRELL: Do you know why he left?
 17 THE WITNESS: His wife was having a baby, and
 18 their family is in California, so he wanted to go
 19 back to California.
 20 MS. HARRELL: Okay.
 21 THE WITNESS: To be with their family.
 22 That's my understanding. It was not related to
 23 anything going on here.
 24 MS. HARRELL: Okay.
 25 MS. TEODORESCU: So you mentioned that JEA

Page 20

1 had a short-term incentive plan.
 2 THE WITNESS: Uh-huh.
 3 MS. TEODORESCU: And was Towers Watson
 4 supposed to do anything about the short-term
 5 incentive plan?
 6 THE WITNESS: Yes. They were going to look
 7 at -- so part of this was to look at all the
 8 components of compensation and determine if they
 9 were competitive. And so Towers has done base
 10 salary analysis for us. That's the main thing we
 11 focused on for probably the last seven or eight
 12 years, since 2011, was trying to make sure our
 13 jobs were positioned appropriately, the base
 14 salary was positioned appropriately.
 15 And with the incentive, the thought process
 16 from my perspective was we already had a
 17 short-term incentive plan in place. It was
 18 already acceptable. It's been in place for many
 19 years, since as far back as 1990, that we would
 20 focus on making that a little bit more
 21 competitive than adding a new and different
 22 component of compensation, such as LTI or
 23 profit-sharing or something of that nature.
 24 And so we were just asking them to look at it
 25 and give us an opinion of what we -- you know, we

Page 21

1 have an ability to see this information, but we
 2 wanted an external objective opinion on what
 3 we're viewing, as well as what they're seeing
 4 compared to the peer companies that we'd be
 5 comparing ourselves to.

6 MS. TEODORESCU: And did they tell you what
 7 companies they were going to compare you to?

8 THE WITNESS: So they perform a survey, and
 9 in that survey is a \$1 to \$3 billion revenue cut.
 10 And those are companies that are similarly sized
 11 in the energy and utility industry, similar
 12 revenues. So they would compare us to those
 13 particular companies.

14 A couple that come to mind would be Colorado
 15 Springs. I want to say maybe Omaha. So they're
 16 public -- they're public entities. But, I mean,
 17 if you need that list, I can get that list for
 18 you.

19 But, yeah, they would -- and some of those
 20 might be IOUs, investor-owned utilities. So that
 21 would be -- that would be their first pass.
 22 They'd look at the top ten or the -- I'm sorry.
 23 They would look at the companies in the large
 24 public utilities, LPPC and the American power
 25 companies. So they would look at those.

Page 22

1 And then they might look at proxy data if
 2 they're looking at the CEO or FLT, which tends to
 3 be a little bit more customized.

4 MS. TEODORESCU: And was Towers Watson
 5 expected to look at CEO compensation as well?

6 THE WITNESS: Yes. They were asked to look
 7 at all employees and to do a CEO analysis, like a
 8 peer analysis, which they had done back in 2017
 9 for us.

10 So we were asking for a similar look to what
 11 we did in 2017 to refresh it, but then the LTI
 12 was the new piece and the FTI was the new -- two
 13 new pieces.

14 MS. TEODORESCU: Was Towers Watson supposed
 15 to analyze each component separately to see if
 16 each component is competitive on the market or
 17 just look at the -- eventually look at total
 18 compensation to see if it's competitive?

19 THE WITNESS: They would look at it -- just
 20 philosophically, this is how they do the
 21 methodology, is they would look at each
 22 component. So each component is calculated and
 23 determined separate of each other. They're each
 24 unique components.

25 They would be looking at base, short-term

Page 23

1 incentives, total cash, LTI, and then total
 2 compensation.

3 MS. TEODORESCU: And were you given a target
 4 by JEA, a benchmark of sorts, you know, we must
 5 meet a certain percentile of the market?

6 THE WITNESS: According to our comp committee
 7 document, my understanding was we were seeking to
 8 achieve market. So we -- in the past it
 9 indicated that base would be market 50th, which
 10 means market average. That's where the majority
 11 of experienced people cluster, so we wanted to be
 12 in there with just, like, the average of the
 13 market.

14 The new compensation philosophy that was
 15 updated now included STI, total cash, LTI, and
 16 total comp. So it expanded that to say that we
 17 were, as a company from that statement, going to
 18 be positioned the 50th percentile or market
 19 average on the -- on each of those components,
 20 which in the past we had never, you know, done
 21 that before.

22 MS. TEODORESCU: Why not do it?

23 THE WITNESS: It was cost-prohibitive.

24 MS. TEODORESCU: Why?

25 THE WITNESS: To be market 50th on all those

Page 24

1 components. LTI plans tend to be used by
 2 investor-owned utilities, and they're -- they can
 3 be very expensive. And they're not always
 4 provided in private -- they're not provided to
 5 everyone in private sectors, so there's some
 6 limitations on the ability to provide, you know,
 7 everybody in the company the same types of
 8 incentives, unlike government, where it requires
 9 you to deliver a program to everybody, an
 10 incentive program. So it creates some
 11 complications.

12 MS. TEODORESCU: Was this issue discussed
 13 with anyone at JEA, the prohibitive costs of
 14 LTIs?

15 THE WITNESS: So Angie Hiers has been
 16 there -- had been there for six years, and she
 17 operated under -- she worked under Paul McElroy.

18 And, you know, yes, we would -- they had a
 19 view of what the market looked like. They knew
 20 that there was STI, total cash, long-term
 21 incentives. And so they knew what those numbers
 22 looked like. They knew, you know, what
 23 populations usually get those types of incentive
 24 programs.

25 And the decision at the leadership level was,

1 No, we're not going to do that now.

2 I don't know exactly why they chose not to do

3 it. That was just -- from the time I got here,

4 that's not something that was acceptable. From a

5 compensation perspective -- you know, I've worked

6 in comp for 30 years -- government does not

7 typically have long-term incentives.

8 I shared that with the leadership team. I

9 shared -- you know, I did some benchmarking and

10 shared with them that my understanding was that

11 probably less than 25 percent of public entities

12 have long-term incentive plans. It's not

13 uncommon to see incentive plans, but not

14 long-term incentive plans. And that's primarily

15 they're -- in investor-owned utilities, you have

16 to have specific metrics, usually, like, stock,

17 you know, shareholder value, things like that.

18 So the metrics were -- you know, I wasn't

19 aware of metrics we would be able to use for a

20 long-term incentive plan, plus the limitation

21 that the law states everybody has to get it. And

22 then on top of that, typically those types of

23 plans are not provided to someone of the lower

24 level because of the strategic impact of the

25 organization. So those are usually supplemental

1 surveys. There's a Vivint (phonetic) survey that

2 I pulled from -- on public entities.

3 I had sent an email to Andrea a little bit

4 earlier, maybe around October, November. I'm not

5 real sure of the date. But I said, "Hey, we're

6 thinking about an LTI plan. Here's what I know.

7 Is it -- are you kind of on the same page with

8 me?" And this was in 2018, not when we engaged

9 them.

10 And their feedback to me was, "Well, it's

11 probably a little bit less than 20." I said 25

12 percent. They said, "It's probably a little bit

13 less than 25 percent." So they were already

14 saying, "Hey, this is rare."

15 So -- and they also had said they found some,

16 you know, real basic information I provided them

17 and said, "Well, based on what you're telling us,

18 we would need more information," which kind of

19 leads to a project.

20 MS. HARRELL: So it's past phone call day and

21 you said, Hey, what do what you think?

22 THE WITNESS: You said hello and now -- yeah.

23 MS. HARRELL: Yeah. Hello starts costing me

24 money.

25 THE WITNESS: Exactly.

1 to somebody who is higher level in the

2 organization.

3 MS. TEODORESCU: So you said that you shared

4 this with -- you shared this information with the

5 leadership team. Who were those individuals?

6 THE WITNESS: I shared it with Angie Hiers.

7 So I shared a white paper with her that just had

8 some general information saying LTIs are not

9 common, if -- if you do have an LTI in the public

10 sector, if you do have one, it's going to be a

11 three- to five-year program. It's -- you know,

12 it's not going to come to vest, so to speak, pay

13 out, for three to five years. You can have

14 multiple cycles, just told her a little bit about

15 what some of the metrics are. Usually they're

16 financial or operational and things of that --

17 that nature.

18 So I was just trying to say, Listen, this is

19 rare. I'm not sure, you know, we can do this.

20 MS. HARRELL: What's the source of this white

21 paper? Is this something you created?

22 THE WITNESS: Uh-huh, yes. And I -- it was

23 just a basic -- nothing formal, I mean, nothing

24 really fancy or anything. It was just some

25 information that I pulled from a couple of

1 MS. TEODORESCU: So they said it's probably

2 less than 25 percent of public utilities --

3 THE WITNESS: Uh-huh.

4 MS. TEODORESCU: -- that would have an LTI

5 plan?

6 THE WITNESS: Uh-huh.

7 MS. TEODORESCU: And would that be an LTI

8 plan for all employees?

9 THE WITNESS: They -- I don't think at the

10 time that Towers -- or Willis Towers Watson had

11 really dove into the State requirements for

12 plans. I think at some point I advised them

13 that, "Oh, by the way, these have to be for all

14 employees."

15 And when you start talking about that, then

16 people go, "Oh." Because they were on the

17 premise that, oh, an LTI plan was typically

18 provided to leadership. And they didn't give any

19 specific information as to whether these public

20 utilities had them at leadership levels. They

21 just didn't provide that information yet. They

22 did, I think, later on, when they actually did

23 the study for us. But...

24 MS. TEODORESCU: So Towers Watson wasn't

25 looking at public utilities just in Florida when

Page 29

1 they were doing their study; correct?

2 THE WITNESS: Right. Right. They're going

3 to look at public utilities that are similarly

4 situated as JEA. So there are very few utilities

5 in Florida that are of similar size and revenue

6 base.

7 So as an example you wouldn't necessarily

8 compare yourself to NextEra because they're huge.

9 They're bigger than us. They're probably a --

10 maybe a \$6- or \$10 billion company. You usually

11 stick to a small range, which the bucket tends to

12 be \$1- to \$3 billion.

13 So they'll look at companies around there.

14 GRU is not as big as JEA, OUC. I mean, we will

15 look at them because we're public and we need to

16 know what they're doing because they're close

17 proximity to us.

18 But what they do versus what we do typically

19 should look a little different from the

20 standpoint of the type of compensation they can

21 deliver. They should not -- but they shouldn't

22 be delivering LTI to a segment of their

23 population and not another segment, either,

24 because they're public. So --

25 MS. TEODORESCU: You mean they're public in

Page 30

1 Florida --

2 THE WITNESS: Right.

3 MS. TEODORESCU: -- under Florida law?

4 THE WITNESS: Correct. And I don't know what

5 the rules are outside of Florida for public

6 utilities. I have no idea. So they could -- we

7 did do an informal survey. Scott Strackbine did

8 reach out to -- there's a group of ten or so

9 utilities that we will reach out to across the

10 country that are, again, similar situated to us,

11 and we will ask them what they do with

12 compensation, you know, do you have executive

13 agreements, do you have incentive.

14 And to my knowledge, there was only one

15 company out of these ten or so that all said, No,

16 we don't have an LTI program. So even outside of

17 Florida, we are being told that other public

18 utilities that we even call our peers didn't have

19 LTI programs.

20 MS. TEODORESCU: With one exception?

21 THE WITNESS: Yeah, and I don't remember

22 whether -- I'm going to say it was the one in

23 California. Is that the one in California?

24 MS. TEODORESCU: Was it Tennessee Valley

25 Authority?

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1 THE WITNESS: Well, Tennessee Valley

2 Authority was a document that was pulled by one

3 of the leaders to show that there was a company

4 with an LTI, but that was not one of the

5 companies that we actually surveyed.

6 MS. TEODORESCU: And Tennessee Valley

7 Authority only had it for management; correct?

8 THE WITNESS: I don't recall the actual

9 details. It was provided to me by somebody else,

10 and I didn't really look at it.

11 MS. HARRELL: How does Tennessee Valley

12 Authority compare to JEA? Are they in that 1- to

13 3 billion range?

14 THE WITNESS: I don't know for sure.

15 MS. TEODORESCU: So when did you have this

16 discussion with Towers Watson about very few

17 public utilities have LTIs?

18 THE WITNESS: Uh-huh. Let me look and see if

19 I -- (examining document.)

20 It seemed like late November, between

21 November 2018, the middle of -- end of November

22 to sometime in the beginning of December we had

23 started to begin to talk to them about --

24 I don't know if you have it. I think I have

25 the email. Do you want me to look and see if I

Page 32

1 have the exact date?

2 MS. TEODORESCU: That would be great.

3 THE WITNESS: So it seemed like it was around

4 November 26th. It was titled "JEA Compensation

5 Analysis." So I don't know if you guys have

6 that.

7 MS. TEODORESCU: I'm not sure that we do.

8 But if possible, I would like to make a copy --

9 THE WITNESS: Uh-huh, sure.

10 MS. TEODORESCU: -- during a break, maybe.

11 THE WITNESS: Okay.

12 MS. TEODORESCU: And that would be the date

13 when you first reach out to them to inform

14 them --

15 THE WITNESS: Asked some questions. Right,

16 asked some questions. And then on, it looks like

17 around December 27th of 2018, there was an email

18 from me to Andrea Deeb. And it talks about "The

19 CEO and senior leadership team have been working

20 on aligning the incentive opportunities to

21 achieve an overall market competitive position."

22 And I -- it goes on to say "They intend to

23 present their proposal to the board at the

24 January meeting." So we were trying to get them

25 to look at, you know, the incentive plans. We --

<p style="text-align: right;">Page 33</p> <p>1 here it says "Variable, total cash, and total 2 cost." So, you know, we were engaging in, you 3 know, more serious discussions about getting them 4 involved. 5 MS. TEODORESCU: So I'm trying to get an idea 6 of Towers Watson's work on this project -- 7 THE WITNESS: Uh-huh. 8 MS. TEODORESCU: -- how it evolved, what 9 discussions they had with you, with JEA, the 10 back-and-forth. 11 THE WITNESS: Uh-huh. 12 MS. TEODORESCU: And you know, I mean, I'll 13 ask questions, but at some point you probably 14 know better than, you know, me just trying to ask 15 questions. 16 THE WITNESS: Great. Okay. So like I said, 17 our first meeting was on January 4th, where we 18 discussed what the objectives of the project 19 would be, the output. 20 MS. TEODORESCU: Was this a meeting in person 21 or phone conference? 22 THE WITNESS: Conference call. 23 MS. TEODORESCU: And who was on it? 24 THE WITNESS: Angie Hiers, the Scott 25 Strackbine, and myself.</p>	<p style="text-align: right;">Page 35</p> <p>1 MS. HARRELL: Yeah. 2 THE WITNESS: Don't know if you have them or 3 not. 4 MS. TEODORESCU: Well, you know, it would be 5 fastest for me to just walk out and make copies 6 because the printer is right around the corner. 7 MS. HARRELL: Right. You can make a copy of 8 Garrity, too. 9 MS. TEODORESCU: Yes. 10 MS. HARRELL: Okay. So you know what? We 11 can take a quick little break while she's doing 12 that. I actually need to grab some notes. 13 (Discussion off record and brief recess from 14 2:42 p.m. until 2:44 p.m.) 15 MS. TEODORESCU: So, Ms. Maillis, the 16 November 26th emails that we discussed earlier, 17 are these the documents -- the emails that we 18 talked about earlier? 19 THE WITNESS: (Examining documents.) 20 Yes. 21 MS. TEODORESCU: All right. Can we mark 22 these as Exhibit 1. 23 (Exhibit 1, November 26 Emails, was marked 24 for identification.) 25 (Discussion held off record.)</p>
<p style="text-align: right;">Page 34</p> <p>1 MS. TEODORESCU: And from -- oh, it was 2 internal, just JEA, or Towers Watson as well? 3 THE WITNESS: Towers Watson. It was Andrea 4 Deeb and David Watson. 5 MS. TEODORESCU: Oh, okay. 6 THE WITNESS: Uh-huh, uh-huh. 7 MS. TEODORESCU: And you discussed objectives 8 at that point. And was there a decision of what 9 Towers Watson were supposed to go and do, what 10 they were supposed to do? 11 THE WITNESS: They provided us a brief 12 summary of what they would be doing, and then 13 that would be followed up with a clear statement 14 of work or a proposal that we would actually sign 15 with costs associated with it. 16 So do you want me to read this to you? 17 MS. TEODORESCU: You don't have to. 18 THE WITNESS: Submit it? 19 MS. TEODORESCU: You know, maybe we could 20 make a copy. Should we make exhibits of this -- 21 MS. HARRELL: Yeah. 22 MS. TEODORESCU: -- so we can keep track of 23 things? 24 MS. HARRELL: Yes. 25 THE WITNESS: These are the first two.</p>	<p style="text-align: right;">Page 36</p> <p>1 MS. TEODORESCU: And then you mentioned an 2 email from December 27th; correct? 3 THE WITNESS: Yes. 4 MS. TEODORESCU: And is this the email you 5 were talking about? 6 THE WITNESS: Yes. 7 MS. TEODORESCU: And we'll mark this one as 8 Exhibit 2. 9 (Exhibit 2, December 27 Email, was marked for 10 identification.) 11 MS. TEODORESCU: You also mentioned that 12 Towers Watson provided a brief summary after the 13 January 4th phone conversation or during the 14 January 4th conversation. I'm not sure. 15 THE WITNESS: It was follow- -- I mean, they 16 went over this with us, but this was the 17 follow-up summary to our discussion in the 18 meeting. 19 MS. TEODORESCU: And it's this two-page 20 document here. 21 THE WITNESS: Yes. 22 MS. TEODORESCU: I know it's double-sided. I 23 copied it single-sided. 24 THE WITNESS: Yes. That's just a brief 25 summary to kind of reconfirm what we talked about</p>

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1 and what the expectations are of the project.

2 MS. TEODORESCU: We will make this Exhibit 3.

3 (Exhibit 3, Two-Page Summary, was marked for

4 identification.)

5 MS. TEODORESCU: And you've also provided a

6 document dated January 30th, 2019 --

7 THE WITNESS: Uh-huh.

8 MS. TEODORESCU: -- a Proposal for Incentive

9 Plan Review and Design.

10 THE WITNESS: Uh-huh, uh-huh.

11 MS. TEODORESCU: You mentioned earlier that

12 after the January 4th phone call, Towers Watson

13 provided the summary we looked at as Exhibit 3

14 and later on they provided a proposal --

15 THE WITNESS: Yes.

16 MS. TEODORESCU: -- of the work they were

17 going to do. And is this January 30th document

18 the proposal they submitted?

19 THE WITNESS: Yes.

20 MS. TEODORESCU: All right. So we'll make

21 this Exhibit 4.

22 (Exhibit 4, January 30 Proposal, was marked

23 for identification.)

24 MS. TEODORESCU: Now, between January 4th and

25 January 30th, were there any communications with

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1 Towers Watson about this project?

2 THE WITNESS: I -- I don't recall. I

3 don't -- I don't think any work started until we

4 actually got the proposal signed, the agreement

5 that this was the work we going to do. But I

6 don't recall exactly. If -- if there was any

7 communications, it was simply starting to provide

8 them information, like data census and things

9 like that regarding the workforce.

10 MS. TEODORESCU: There was a compensation

11 committee meeting in January 2019 and the board

12 meeting following that committee meeting. Do you

13 think that's the committee meeting you may have

14 attended?

15 THE WITNESS: I honestly don't recall if it

16 was in the fall or if it was January.

17 Unfortunately, I'm blurry.

18 MS. TEODORESCU: And after January 30th, when

19 you received the Towers Watson proposal for the

20 incentive plan, what happened from then on?

21 What's the next step?

22 THE WITNESS: So it looks like I got an email

23 from Angie on January 7th that says "Will you

24 please contact Towers Watson and ask them if they

25 would provide by the beginning of the workday

Page 39

1 tomorrow a short scenario/scope of the possible

2 engagement. It does not need to include the

3 price as yet, in other words, what they will

4 actually do." And we -- and it has in bold, "We

5 need to give this to our compensation chair

6 tomorrow." So this would have been January 8th

7 that they were trying to get this to the chair.

8 It goes on to say "It should include the

9 following: How Towers will assist in the design

10 of the STI, the LTI." Then "to support the

11 culture and the guiding principles" --

12 THE COURT REPORTER: I'm sorry?

13 THE WITNESS: I'm sorry. It goes on just to

14 say "to support the culture and the guiding

15 principles, and the incentive plan will be

16 connected to metrics."

17 So it was just we needed the statements of

18 work that we've already talked about to be

19 available for them, something so the compensation

20 chair could see what the work was going to look

21 like.

22 MS. TEODORESCU: And is that when Towers

23 Watson provided Exhibit 3, the incentive plan

24 that you project out -- project outline?

25 THE WITNESS: Yes, I think so. That would

Page 40

1 have been on the only thing that we would have

2 had to provide them.

3 MS. TEODORESCU: What's a straw man design?

4 THE WITNESS: It's typically -- it's not a

5 plan. It's just this is kind of the basic

6 components and construction of what it could look

7 like, but it's not the plan details, it's not,

8 you know, the actual plan design of anything of

9 that nature. It's just here's the general

10 construct of what it could look like.

11 MS. TEODORESCU: In theory, you could do

12 this, you could do that?

13 THE WITNESS: Yes.

14 MS. TEODORESCU: And the -- did Towers Watson

15 provide this short scenario, this Exhibit 2 --

16 Exhibit 2 or 3 -- it's 3 -- Exhibit 3 the

17 following day or that day on January 7th or 8th?

18 THE WITNESS: I don't remember the exact date

19 that I pulled it from the email, but I'm assuming

20 it was around that time, yes.

21 MS. TEODORESCU: And what happened after

22 that? What -- what work did Towers Watson do

23 from that point on?

24 THE WITNESS: So -- so their job -- they

25 wanted to get their statement of work put

<p style="text-align: right;">Page 41</p> <p>1 together, the project plan, and make sure the 2 company's agreeing to that before they start any 3 work. So no work would start until they got the 4 signed statement of work. 5 MS. TEODORESCU: So that was after 6 January 30th; correct? 7 THE WITNESS: Correct. 8 MS. TEODORESCU: And that's Exhibit 4? 9 THE WITNESS: Uh-huh, yes. 10 MS. TEODORESCU: Once this proposal was 11 signed by JEA, what did Towers Watson do next? 12 THE WITNESS: So they asked JEA to provide 13 them information. That information would include 14 a copy of our employee data. They'd want our 15 short-term incentive plan. They'd want to look 16 at things like the actual short-term incentive 17 plan document. They'd look at our -- they asked 18 for our financial statements. They wanted -- I 19 think they wanted three years of our financial 20 statements. 21 Let's see. We have data as well that we 22 receive from other -- from the surveys that we 23 participate in, and they don't have access to 24 that data. So they would take the data results 25 that we would receive from LPPC, APPA, and data</p>	<p style="text-align: right;">Page 43</p> <p>1 leadership? 2 THE WITNESS: Uh-huh. So there were -- we 3 started -- between just a couple -- we would have 4 almost, I think, two conference calls just to 5 clarify their understanding of the data between 6 that 31st and March. 7 And we started preparing for the on-site 8 meeting by March 19th, and that meeting would 9 have included the CEO, CFO, CHRO, Scott, myself, 10 Andrea, and David Watson from Towers -- Willis 11 Towers Watson. 12 And that -- I don't recall if we received any 13 preliminary materials to look at before that 14 meeting, but we had a meeting on March 27th with 15 them on-site. So David was present. Andrea was 16 on the phone, and Aaron Zahn was there. Ryan 17 Wannemacher, Angie Hiers, Scott Strackbine, and 18 myself were in that meeting. 19 MS. TEODORESCU: And what happened at that 20 meeting? 21 THE WITNESS: So they provided us these three 22 sets of documents, and they -- they basically 23 were -- we went over, like, incentive plans. We 24 went over market practices with LTI and a 25 proposed design. And then CEO</p>
<p style="text-align: right;">Page 42</p> <p>1 sources that they don't have direct control over. 2 And then they also had access already to 3 their own data, which would be Towers Watson 4 energy survey, the Towers Watson general industry 5 survey. So the things that they actually 6 sponsor, they'll have available to them already, 7 but then we would provide them. 8 So there was just -- it was just data 9 interchange between the two companies so that 10 they could start performing their analysis and 11 recommendations. 12 They would ask for, you know, how do we match 13 certain jobs in the marketplace, and we would 14 provide that. So we would provide as much 15 information as we could to enable them -- their 16 analysts to -- to do that work. 17 And so, basically, then they go away. And 18 for a month or so, you know, they'll only call us 19 to clarify questions. 20 MS. TEODORESCU: So when did they first -- 21 when did Towers Watson first provide a draft 22 report, study -- 23 THE WITNESS: Uh-huh. 24 MS. TEODORESCU: -- I don't know what you 25 would call it -- that you shared with the higher</p>	<p style="text-align: right;">Page 44</p> <p>1 executive-appointed compensation, so really it's 2 really more like this. This one was last. The 3 meeting was to go over these materials. 4 MS. TEODORESCU: Were these materials also 5 provided by email? 6 THE WITNESS: I don't recall if they were or 7 not. Sorry. 8 MS. TEODORESCU: That's okay. I'm just 9 trying not to -- 10 THE WITNESS: I know. I know. 11 MS. TEODORESCU: -- dismantle your -- 12 THE WITNESS: I know. 13 MS. TEODORESCU: -- bound materials. 14 MS. HARRELL: I can get Beth to come make 15 copies. 16 MS. TEODORESCU: Go off the record for a 17 second. 18 (Discussion held off record.) 19 MS. TEODORESCU: Let's go back on the record. 20 THE WITNESS: So I referenced that the 21 meeting occurred on the 27th. That was 22 incorrect. The meeting occurred on the 19th. I 23 apologize. There was nothing on the 27th. 24 MS. TEODORESCU: So it was March 19th, like 25 the date on the document?</p>

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1 THE WITNESS: Right, right, right. And these
 2 were drafts, so...
 3 It looked like you had it.
 4 MS. TEODORESCU: That's not it. No, that's
 5 not the document. We're going to try to,
 6 unfortunately, dismantle this. I think it's
 7 possible.
 8 (Discussion held off record.)
 9 MS. TEODORESCU: But these would be
 10 Exhibits 5, 6, and 7, or do would we make them
 11 all 5?
 12 MS. HARRELL: Let's do 5, 6, and 7.
 13 MS. TEODORESCU: Okay. Let's go off the
 14 record.
 15 (Discussion held off record.)
 16 MS. TEODORESCU: Okay. We can move on and
 17 return to the -- just to clarify what exhibits
 18 they are. Thank you.
 19 (Exhibits 5, 6, and 7, Incentive Plans, were
 20 marked for identification.)
 21 MS. TEODORESCU: Okay. So how did that
 22 meeting go?
 23 THE WITNESS: There was a lot of discussion,
 24 and I think at the end of the meeting Aaron was
 25 looking for actual plan design versus straw man.

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1 MS. TEODORESCU: What makes you think that?
 2 THE WITNESS: I think he said it. I mean,
 3 I -- if I recall, they -- you know, we had an
 4 opportunity to look at, you know, was this -- did
 5 they go down the right path in providing the
 6 information that we expected them to provide.
 7 So after going through everything, it was
 8 checked to say did you get everything that you
 9 wanted and in terms of the statement of work.
 10 And the next step would have been to prepare for
 11 them to either go to the committee, the
 12 compensation committee, or the board and present
 13 the information. That would be -- that's what, I
 14 think Towers Watson thought they were going to do
 15 at some point.
 16 MS. TEODORESCU: To present what information?
 17 THE WITNESS: To present all the information
 18 that you saw in the exhibits, you know, the
 19 pieces of that. Probably not all of that, but
 20 high-level summaries of what -- you know, how JEA
 21 compares to all those different components of
 22 compensation so that the board would understand,
 23 you know, what actions need to be taken with
 24 compensation, as well as Aaron's contract had not
 25 been finalized and his pay had not been

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1 finalized.
 2 And so doing a CEO analysis is appropriate,
 3 to have somebody else do it and then communicate
 4 that to a board member to say, This is what we
 5 would recommend. And the board chair of that
 6 committee would, you know, take it and decide is
 7 that the right thing to do or, you know, how do
 8 we want to proceed.
 9 If we don't want to follow their
 10 recommendations, why would we not want to follow
 11 their recommendations? So, in my mind, the
 12 ultimate goal was to do the analysis, provide it
 13 to the board. He had asked for a plan design.
 14 MS. TEODORESCU: He?
 15 THE WITNESS: Meaning Aaron Zahn had asked
 16 for an LTI plan to be designed. And I think the
 17 disconnect was that Willis Towers Watson was
 18 providing more of the straw man, kind of a basic
 19 construction, Here's things to consider. Here's
 20 how it compares with the market, when, in fact,
 21 he wanted them to design the plan. But they
 22 really, I don't think, had enough information to
 23 do that.
 24 But this meeting was a check and balance as
 25 well. It was, Hey, we did all this work. Let's

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1 make sure we're on the right track, and there
 2 will be, maybe, a subsequent meeting or
 3 subsequent work done if this didn't deliver on
 4 your expectations.
 5 MS. HARRELL: Did he express at that meeting
 6 what he wanted?
 7 THE WITNESS: I don't remember the exact
 8 words, but he wanted a plan design.
 9 MS. HARRELL: Okay. Not just a -- would you
 10 consider the straw man to be like a framework?
 11 THE WITNESS: It would be a framework, yes.
 12 MS. HARRELL: And what would be the
 13 difference between that and a plan design?
 14 THE WITNESS: A plan design would -- I mean,
 15 it could be anything from the actual plan
 16 document to how you're going to administer it to
 17 the financials. It could be a whole myriad of
 18 things.
 19 And, you know, I -- I get the impression
 20 that, you know, again, that meeting was to
 21 introduce, Here's what it looks like. Here's
 22 what it could be like. But to have an actual
 23 plan -- plan document, you have to price it out,
 24 you have to provide strong, I guess, documents
 25 related to the financials, what its effect -- the

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1 term I'm looking for is the mechanics, more of
 2 the mechanics.

3 MS. HARRELL: Okay.

4 THE WITNESS: And this was just various.
 5 It's almost like the 100- or 1,000-foot view of
 6 it, whereas he was trying to get to the more
 7 specific.

8 MS. HARRELL: Was it too soon in the process
 9 to get that specific?

10 THE WITNESS: I think Angie and myself and
 11 Scott thought definitely it was too soon because
 12 here we were -- you know, we asked them to do so
 13 many different things --

14 Bless you.

15 -- that -- you know, you want to see what
 16 their work like looks like first before you say,
 17 That's exactly what we wanted. So we wanted to
 18 see what they -- that's why it says "Draft" on
 19 it.

20 It was meant for discussion. It was meant to
 21 check and balance if we were -- they were going
 22 down the wrong road and to make fine-tune
 23 corrections as follow-up because, ultimately, it
 24 would go to the board. And that was the next
 25 step.

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1 And I think my understanding was he was
 2 trying to get this to the board fairly quickly.

3 MS. TEODORESCU: Do you know why?

4 THE WITNESS: No, I have no idea why. But
 5 everything operated quickly with the last 18
 6 months. Everything was always urgent.

7 MS. TEODORESCU: Did Mr. Zahn express any
 8 displeasure with the work that Towers Watson had
 9 done up to that point?

10 THE WITNESS: He didn't verbalize it, but he
 11 appeared to be not 100 percent satisfied. And
 12 so, you know, Ryan was there, Ryan Wannemacher,
 13 and I think he wanted to start to fine-tune what
 14 the mechanics would look like in terms of
 15 potential payout or something of that nature.

16 So -- but I -- I can't say exactly, you know,
 17 what his expectations were. He never really --
 18 he did not communicate with me directly.

19 MS. TEODORESCU: Do you know if he
 20 communicated with Ms. Hiers?

21 THE WITNESS: I -- I would expect so.

22 MS. TEODORESCU: Did she tell you anything?

23 THE WITNESS: I mean, early on she mentioned
 24 that we were going to tie it to our customer, so
 25 to speak, there would be a way to with the City,

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1 the dona- -- you know, the money that we provide
 2 the City and that would be one factor and it
 3 would be based on a financial metric that the
 4 company would determine.

5 And she had -- she very broadly said, you
 6 know, there would be -- what we thought it would
 7 be tied to. And that was communicated, and I
 8 believe that's in one of the presentations, you
 9 know, what we were trying to tie it to.

10 But, you know, again, it was -- my
 11 understanding was we were just trying to develop
 12 a long-term incentive plan that would be for --
 13 to incent innovation and long-term performance
 14 and retention.

15 One of the factors that I kept hearing
 16 everybody was concerned about was the change from
 17 the DB pension model to the DC pension model.
 18 They felt like there would be higher turnover
 19 going forward, and they were looking for a
 20 mechanism to get people to stay with the company
 21 a longer period of time. And a long-term
 22 incentive that has three-years or five-year
 23 payout periods or thresholds would definitely be
 24 a retention factor. So we were operating under
 25 the premise of innovation and retention.

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1 MS. TEODORESCU: You have heard since then
 2 discussion of the performance unit plan or PUP,
 3 P-U-P.

4 THE WITNESS: Uh-huh.

5 MS. TEODORESCU: At this March 19th meeting,
 6 was there any discussion of anything like the
 7 PUP?

8 THE WITNESS: So a performance unit plan is a
 9 form of long-term incentive, and most long-term
 10 incentive is just what you're going to base it
 11 on. So a unit plan, most companies would have
 12 some unit of measurement.

13 So the acronym, it's really, in my opinion,
 14 almost synonymous with a long-term incentive
 15 plan. It's just a form of long-term incentive
 16 plan.

17 MS. TEODORESCU: But from what you've heard
 18 of the PUP that was eventually drafted and has
 19 been discussed in the last few months --

20 THE WITNESS: Uh-huh.

21 MS. TEODORESCU: -- were any of those
 22 specific elements of the PUP, the \$10 purchase
 23 price for example --

24 THE WITNESS: Uh-huh.

25 MS. TEODORESCU: -- was that discussed at the

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1 March 19th meeting, that kind of detail?

2 THE WITNESS: I don't believe there was any

3 discussion about the unit cost, you know, what

4 price you were going to assign to it, how many

5 shares or units you might have. It wasn't at

6 that detail level.

7 And I think that was one of the items that

8 needed to come out going forward, was, you know,

9 how would you cost this plan out because one of

10 the key elements is to go to leadership and say,

11 Well, what's the estimated cost of a plan?

12 And we had -- we had done some work, meaning

13 Scott and myself had done some modeling of what

14 we thought it could be, but we were under the

15 premise that it was only going to be provided to

16 a smaller population, and that wouldn't have been

17 appropriate because we would not have ended up

18 giving a plan to just a segment of the

19 population.

20 MS. TEODORESCU: So when you say how would

21 you cost this plan, what does that mean in

22 laymen's term? Does it mean how much is it going

23 to cost JEA in a payout --

24 THE WITNESS: Uh-huh.

25 MS. TEODORESCU: -- or what does it mean?

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1 THE WITNESS: So you -- first of all,

2 somebody has got to decide what are going to be

3 the factors that are going to be used to measure,

4 and that was a discussion that I actually had

5 with Ryan back in November of 2018 in a meeting.

6 It was just a meeting that we had where I said,

7 you know, "What are you going to spend on this

8 plan? What are we looking at spending on this

9 plan?"

10 MS. TEODORESCU: What do you mean by

11 "spending"?

12 THE WITNESS: What's going to be the budget,

13 what's going to be the average that we're going

14 to be spending on this plan.

15 For example, when we do the short-term

16 incentive plan, I know that if we meet all

17 objectives, I might pay 3 million out that year.

18 If I exceed all objectives, I might pay 7 million

19 out. So I know that that plan is between

20 basically zero and 7 million, potentially,

21 depending on how we meet our goals, so you budget

22 for that.

23 That would be the same thing here. You would

24 go out there, and once you decide the audience,

25 who you're going to deliver the plan to, and in

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1 this case it would be everybody, we would say,

2 Okay -- the only way I could -- the only way that

3 I can personally cost it out is to say, Okay.

4 What kind of value do we want to provide the

5 employee? so what would be the maximum value and

6 what might be the minimum value.

7 And where I would come in is I would look at

8 the market data, much like Willis Towers Watson

9 might and say, Well, on average, if you are going

10 to pay out, you know, a certain level, a

11 different amount -- which I think is legal, but

12 you might give them a different amount. You

13 might say, We're going to give them a percentage

14 of their pay, so we would say, We want them to

15 receive -- you know, if it's \$10,000 or \$20,000,

16 what percentage of their pay.

17 So I would start with percentages and come up

18 with dollars. And we did that. We -- we said,

19 just from a budgetary standpoint, we actually

20 recommended somewhere between -- and this is in

21 combination with the short-term incentive. Total

22 incentive would be paying somewhere between 13

23 and 18 million, but that includes 7 million for

24 the STI, so 7 minus 6, 6 to 9 million, somewhere

25 in there, would be for long-term incentive.

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1 MS. TEODORESCU: So how did you calculate

2 that?

3 THE WITNESS: The way I came up with it was

4 fairly simple. I just tried to figure out, well,

5 what kind of compensation -- I look at it from a

6 dollar perspective of what am I going to deliver

7 to you. If I want you to make \$75,000 and

8 \$60,000 of that base and \$15,000 is some type of

9 combination of incentive, that's how I would look

10 at it.

11 So I would come up with, for example, let's

12 just say all -- all nonappointed employees, the

13 1500 bargaining unit employees, I would say,

14 Okay. Today we're giving them -- let's just say

15 2 percent of their compensation. Average

16 compensation is 75,000. We give them 2 percent

17 in short-term incentive. Okay. In a long-term

18 incentive world, bargaining unit employees don't

19 normally get anything -- not just bargaining

20 unit -- nonmanagement employees, I should say.

21 We might say, Okay. Well, we'll be willing

22 to give them 2 percent. Okay. So a couple -- 4

23 percent between the two. And you figure out what

24 that amount would be. You would just assign it

25 to all dollar amounts, and you come up with a

<p style="text-align: right;">Page 57</p> <p>1 dollar figure, and you would do that with all the 2 different levels.</p> <p>3 So typically incentive, there's more pay at 4 risk at the higher levels, and what that means is 5 you have more involvement in the strategy of the 6 company, you have more control over the 7 financials of the company, the objectives of the 8 company. So instead of your salary being all 9 base salary, there's pay at risk, which is 10 incentives.</p> <p>11 And so you'll see that pretty commonly with 12 executives and director levels, but you don't see 13 it in the lower levels of employees. So that's 14 the way I was looking at it.</p> <p>15 MS. TEODORESCU: And this was back in 16 November, you think?</p> <p>17 THE WITNESS: This was back in -- it went 18 back -- yeah, probably the beginning of November. 19 I -- Angie had said, "Look at LTI options," and 20 so we -- that was the -- so October is the 21 beginning of our fiscal year, so it's not 22 atypical for me and my staff to be looking at 23 things for the beginning of the fiscal year. So 24 we were looking at short-term incentives, so we 25 had already started looking at that as just a</p>	<p style="text-align: right;">Page 59</p> <p>1 would be getting a certain amount --</p> <p>2 THE WITNESS: Right.</p> <p>3 MS. HARRELL: -- a certain percentage?</p> <p>4 THE WITNESS: Right, right.</p> <p>5 MS. HARRELL: And so you know that -- for 6 instance, you know the salaries going in; right?</p> <p>7 THE WITNESS: Uh-huh.</p> <p>8 MS. HARRELL: Because have to figure those 9 out for -- because of collective bargaining and 10 all of that?</p> <p>11 THE WITNESS: We have -- that's what we do on 12 a daily basis. We have access to all the 13 compensation data. We provide promotion, 14 increase. You know, we do all that. Collective 15 bargaining recommendations. That's what we do.</p> <p>16 MS. HARRELL: And so that allows you to give 17 a pretty accurate forecast of how much it will 18 cost?</p> <p>19 THE WITNESS: Right, right.</p> <p>20 MS. HARRELL: Because you know the percentage 21 they get of their salary --</p> <p>22 THE WITNESS: Right.</p> <p>23 MS. HARRELL: -- and you know their salary?</p> <p>24 THE WITNESS: And we know how their salary is 25 going to grow as well. So -- and the 1500,</p>
<p style="text-align: right;">Page 58</p> <p>1 normal course of business. But then when they 2 threw in the LTI piece, it was like, "Oh, okay. 3 Got to model what this would cost."</p> <p>4 And that's when I -- I really didn't know 5 what they were thinking, and that's why I got 6 with Ryan and said, you know, "What are you 7 thinking about here? You know, I can't design a 8 plan if I don't know anything about what the 9 metrics -- the formulas would be in." I said, 10 "What I can do is I can go out there and I can 11 look at what is the market paying related to 12 long-term incentives so that you could consider 13 it from a budget perspective." But it wouldn't 14 have been a formula for a payout.</p> <p>15 MS. HARRELL: How did he react to your 16 statement at the time?</p> <p>17 THE WITNESS: He was completely positive 18 about it. He said, "No. Go ahead and do that." 19 I think he was trying to get his arms around 20 budgeting for it, and they -- at that time it was 21 completely a positive conversation. And I was 22 going down the route of the plan might cost 23 \$7 million. But...</p> <p>24 MS. HARRELL: And you calculated that based 25 on the percentage of the employee's salary that</p>	<p style="text-align: right;">Page 60</p> <p>1 that's a really, you know, predictable workforce. 2 And then we have another 4- or 500 that are 3 appointed managerial, so...</p> <p>4 MS. HARRELL: And are those also pretty 5 predictable?</p> <p>6 THE WITNESS: Yes.</p> <p>7 MS. TEODORESCU: So did you go ahead and 8 figure out a cost for an LTI?</p> <p>9 THE WITNESS: So, again, what I did was I 10 said, "Well, here's -- if you were to try to 11 deliver to all employees a long-term incentive 12 plan" -- the biggest problem I had was I knew 13 that already the bargaining unit salaries were 14 appropriate, and I knew we were getting an STI. 15 And knowing that in the marketplace typically LTI 16 is not part of that population's compensation, my 17 approach was, okay, dial back a little bit of the 18 STI and move that over to LTI.</p> <p>19 So it wouldn't be that they would necessarily 20 end up making that much more in an incentive 21 program; it would be distributed differently. So 22 if before they were receiving, like I mentioned, 23 2 percent, you might distribute that 1 and 1 24 percent. So 1 percent over here for STI and 25 1 percent for LTI.</p>

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1 Because at the end of the day, we were also
 2 looking at total cash competitiveness. And so if
 3 you start adding more onto these incentive plans,
 4 then you're going to be ending up in the 75th
 5 percentile or 80th percentile of the market. So
 6 our goal was to try to maintain parity there.
 7 And I think I mentioned earlier we were
 8 slightly below still as it related to STI. So to
 9 put a little bit more, maybe another percent on
 10 there, was really going to get us in a more
 11 competitive position.
 12 But that's how I came up with the budget, so
 13 to speak, is try to determine where the gaps are
 14 and provide a dollar amount of what that could
 15 cost.
 16 MS. TEODORESCU: And did you present that to
 17 Mr. Wannemacher or somebody else?
 18 THE WITNESS: I -- we -- Scott, actually, did
 19 a spreadsheet for budget purposes. He did send
 20 something to Ryan, I think back in November. Let
 21 me see. But he -- let me find an example.
 22 Here's an example. I believe that's what he
 23 sent to Ryan.
 24 MS. TEODORESCU: Okay. I will go make a
 25 quick copy.

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1 THE WITNESS: Okay.
 2 MS. TEODORESCU: -- and be right back.
 3 MS. HARRELL: I'll ask some more questions,
 4 just in the interest of efficiency.
 5 (Ms. Teodorescu exits the conference room.)
 6 MS. HARRELL: So what would differentiate
 7 between an STI and an LTI? I'm confused about
 8 that.
 9 THE WITNESS: I'm sure. Short-term incentive
 10 plans are based on the immediate results of a
 11 company. They're usually no longer than 12
 12 months. It's based on the metrics for the year.
 13 They're calculated at the year end, and there's a
 14 very clear determination of what the outcome, you
 15 know, is. They are usually much smaller in
 16 amounts because they're broader based.
 17 Long-term incentives are really to drive the
 18 behaviors of those leaders who have the ability
 19 to move the company forward and are involved in
 20 long-term strategies.
 21 (Ms. Teodorescu enters the conference room.)
 22 THE WITNESS: It's a hard concept in this
 23 environment to understand because we don't -- we
 24 don't have it. But if you have a vision that you
 25 want to go from being, you know, the lowest --

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1 let's use J.D. Power as an example. You want --
 2 you're the lowest in J.D. Power today, but you
 3 want to be the highest in J.D. Power, you know,
 4 who is going to influence that? Who is going to
 5 put the leadership behind it? Who's going to put
 6 the things in place, the money behind it,
 7 whatever it might be? And so it is a way to
 8 incent a leadership group and track that
 9 long-term.
 10 One of the companies I worked for previously,
 11 they would use operational efficiency, and it was
 12 tied to, you know, barrels of oil and things of
 13 that nature. So...
 14 MS. HARRELL: Okay. So how were you going to
 15 apply that concept to your rank and file
 16 employees? Is that the question for the ages?
 17 THE WITNESS: Yes.
 18 MS. HARRELL: Okay.
 19 THE WITNESS: You know, again, I think the
 20 goal at the time that Aaron came in, we were
 21 talking a lot about innovation, new -- new ways
 22 to get into businesses that maybe we weren't in,
 23 new lines of revenue to -- to be able to -- and
 24 technologies, too, to become efficient.
 25 So, you know, from the time that he moved

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1 into that role, in April, until probably January
 2 or February, I was operating under that premise
 3 of we're innovating -- you know, we're trying to
 4 be innovative. We were trying to get people
 5 looking to the future.
 6 And it is very hard because the -- the more
 7 line employees, you know, they don't -- they're
 8 not compensated as much, so they don't have the
 9 ability always to be waiting for money three
 10 years from now and five years from now. It's
 11 money that they need now. So that's not -- when
 12 you design incentives, you design them with the
 13 population in mind.
 14 And so short-term incentives are designed to
 15 be more immediate for individuals who, you know,
 16 are in a slightly different compensation bracket;
 17 whereas, at the upper levels, I mentioned that
 18 you're -- you're looking at pay at risk. So
 19 sometimes what companies do is they put a cap on
 20 what their earning potential is, their salary,
 21 and then from there it becomes incentives. So
 22 you want to move -- your job is to move the
 23 company forward, be profitable for the company,
 24 bring in revenues, whatever it might be. Well,
 25 you've got this pay at risk, and this is -- this

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1 is what you build in there to show the results
 2 associated with that.

3 MS. HARRELL: And if you move the company
 4 forward by X amount, you get Y amount in --
 5 THE WITNESS: Right, right.

6 MS. HARRELL: -- in long-term incentives pay?
 7 THE WITNESS: Correct. And it's usually
 8 clearly defined in a formula as what those
 9 factors are going to be, and they're in line with
 10 the company's vision and, you know, overall
 11 strategy.

12 MS. HARRELL: So for a lineman, let's say --
 13 THE WITNESS: Uh-huh. How would you do that?
 14 MS. HARRELL: Yeah. I mean, those guys are
 15 out there -- and I use the term guys.
 16 THE WITNESS: Guys, yeah.
 17 MS. HARRELL: It's gender inclusive.
 18 THE WITNESS: Uh-huh.
 19 MS. HARRELL: They're out there doing their
 20 work, and they keep doing their work, and that
 21 moves the company forward. That keeps JEA in
 22 business, and they're repairing lines. That's a
 23 good customer strategy. But...
 24 THE WITNESS: They don't have influence on
 25 designing the direction that the company's

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1 coming -- going into, necessarily. That's where
 2 the leadership has their leadership meetings and
 3 says, Well, here's where we have gaps in our
 4 financials. Here's where we need to determine
 5 what businesses we want to go in.

6 I mean, don't get me wrong. Our -- all
 7 employees in any company have the ability to
 8 contribute to how we can be better as a company,
 9 how we can move forward, products we can get
 10 into, things like that. But it's really the
 11 decision-makers. At the end of the day, the
 12 leadership makes the decision, We're going to
 13 invest in that. We're going to pursue Federal,
 14 you know, or State legislation to break down that
 15 barrier, or we're going to put the manpower
 16 behind it. Those decisions are made at
 17 leadership; it's not made at line/maintainer
 18 level.

19 And that's really -- and they -- and they
 20 risk. If those decisions don't pay off, it's a
 21 higher risk.

22 MS. HARRELL: You lose jobs.
 23 THE WITNESS: And so, yeah, the leadership is
 24 affected by the risk --
 25 MS. HARRELL: Uh-huh. Right, right.

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1 THE WITNESS: -- if it. If the project isn't
 2 successful.

3 MS. HARRELL: Right.
 4 THE WITNESS: The lower-level -- you know,
 5 the lower-level line employees tend to be
 6 insulated a little bit from that. But if you
 7 have a project and you -- and you're a leader and
 8 that was your goal for the year, to make, you
 9 know, \$5 million for the company or \$20 million
 10 for the company and you abysmally fail, you might
 11 lose your job.

12 MS. HARRELL: Okay. That makes sense. Thank
 13 you.
 14 So March 19th, we get the drafts. We talked
 15 about that and talked about some of the -- some
 16 of the issues with those.
 17 What was -- what were the next steps after --
 18 or what happened next, after the March 19th
 19 meeting?
 20 THE WITNESS: So my understanding was Willis
 21 Towers Watson was -- I think there were some
 22 subsequent asks of them. There's a -- in a
 23 previous -- on the April 22nd, 2019, Willis
 24 Towers Watson statement of work.
 25 MS. TEODORESCU: I also have here from you a

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1 March 8th amendment.
 2 THE WITNESS: Uh-huh.
 3 MS. TEODORESCU: But before we talk about
 4 that, I just want to keep the record in order.
 5 THE WITNESS: Okay.
 6 MS. TEODORESCU: You mentioned earlier the
 7 spreadsheet that was prepared by Scott
 8 Strackbine.
 9 THE WITNESS: Uh-huh.
 10 MS. TEODORESCU: And is this it?
 11 THE WITNESS: Yes.
 12 MS. TEODORESCU: And we're going to mark it
 13 as Exhibit 8.
 14 (Exhibit 8, Spreadsheet, was marked for
 15 identification.)
 16 MS. TEODORESCU: So before the April 22nd, I
 17 see you have a March 8 amendment by Towers
 18 Watson. And what prompted this?
 19 THE WITNESS: So according to this, and
 20 excuse me if I have to read it.
 21 MS. TEODORESCU: Okay.
 22 THE WITNESS: I think there were additional
 23 check-in calls that they -- you know, their time,
 24 so they wanted, you know, additional compensation
 25 for that. It was more time.

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1 They were being asked to attend compensation
 2 committee meetings, which in the original scope I
 3 think it was only a conference call or a
 4 person -- a one-person meeting. And they were
 5 talking about subsequent meetings in April and
 6 maybe May and asking for both Andrea and David to
 7 be present.

8 And then the last piece was the study that
 9 they had done in 2017 had some specific exhibits,
 10 that they wanted those to be in the end product
 11 and they had not done those. So they wanted
 12 those in there. So it was just really some
 13 additional work that they -- JEA was asking that
 14 they do that was not -- they didn't think it was
 15 going to happen.

16 MS. TEODORESCU: So they were contemplating
 17 possibly attending compensation committee
 18 meetings on April 16 and May 21st. Does that
 19 committee meet every month?

20 THE WITNESS: I don't -- I don't think they
 21 meet every month. But if they have a topic to
 22 discuss, they do meet. They meet as they need to
 23 meet.

24 MS. TEODORESCU: Since we're talking about
 25 this, do you know if Towers Watson attended any

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1 compensation committee meetings in 2019?

2 THE WITNESS: I don't know of any meetings
 3 that they attended.

4 MS. TEODORESCU: Would you know if they
 5 attended one?

6 THE WITNESS: Based on the project, yes, I
 7 would have known. So I don't think there was a
 8 meeting with the compensation committee.

9 MS. TEODORESCU: Do you know why?

10 THE WITNESS: No.

11 MS. TEODORESCU: Would you have expected
 12 Towers Watson to attend any compensation
 13 committee meeting that discussed their work?

14 THE WITNESS: Well, based on this March 8th
 15 statement of work, that was the plan. They were
 16 to attend a compensation committee meeting and
 17 present the work, the consolidation of this work,
 18 with some recommendations.

19 MS. TEODORESCU: Is that also normal practice
 20 in general?

21 THE WITNESS: So the compensation committee
 22 has only been in place since I think about 2016,
 23 January of 2016. It was put in place late 2015.
 24 We -- if we would have done a study, so the 2017
 25 study, it would have been something that would

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1 have been a discussion point with the chair of
 2 the compensation committee, at least, since
 3 that's what their role is, is -- typically it's
 4 CEO compensation. It's not typically as
 5 broad-based as this was. You would -- you're
 6 mainly concerned with the CEO's compensation and
 7 agreements.

8 But, you know, the fact that there was a
 9 change in the philosophy to include more
 10 components of compensation, you would come back
 11 and present any new plan to them.

12 MS. TEODORESCU: Would it have been possible
 13 to separate the CEO compensation analysis from
 14 the rest of the analysis --

15 THE WITNESS: Sure.

16 MS. TEODORESCU: -- in this case?

17 THE WITNESS: Yes, yes.

18 MS. TEODORESCU: Was that done? Do you know?

19 THE WITNESS: To my knowledge, it was not --
 20 I don't know.

21 MS. TEODORESCU: I think that initially you
 22 received three separate packets, and CEO
 23 compensation, was that completely separate from
 24 everything else, or was it combined with other
 25 things?

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1 THE WITNESS: (Examining documents.)

2 When we met on March 19th, it was part of the
 3 whole project. It was -- you know, it was part
 4 of the original statement of work, to include the
 5 CEO, the SLT, and all appointed, and all
 6 nonappointed. It was every employee, so it
 7 included everyone.

8 Following that 19th -- the March 19th
 9 meeting, like I said, they -- there had been more
 10 detailed analysis in 2017 that they wanted
 11 included, and there were subsequent PowerPoints.
 12 And I believe you've probably got those in with
 13 the emails.

14 MS. TEODORESCU: Okay. So we'll take that
 15 March 8th document and mark it as Exhibit 9, if
 16 that's okay.

17 (Exhibit 9, March 8 Document, was marked for
 18 identification.)

19 (Sean Granat enters the conference room.)

20 MS. TEODORESCU: So we've done March 8. You
 21 have the meeting on March 19. And we have --
 22 Exhibits 5, 6, and 7 were the drafts presented by
 23 Towers Watson.

24 And you said that after the March 19 meeting,
 25 Mr. Zahn wanted an actual plan designed?

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1 THE WITNESS: Well, there was -- he wanted
 2 the presentation fine-tuned, you know, based on
 3 the recommendations. And there was -- there was
 4 plans on the March 8th statement of work that
 5 there was going to be presence of the consultant
 6 at the compensation committee meeting in April,
 7 April 16th, which I do not -- I don't know if
 8 that happened. And then again a meeting on
 9 May 21st of the compensation committee, so there
 10 was supposed to be two meetings.

11 MS. TEODORESCU: And what happened -- what's
 12 the next step after March 19th?

13 THE WITNESS: Okay. So then there were
 14 discussions, apparently. On April 22nd, we
 15 received another statement of work, and that
 16 talks about the LTI a little bit more.

17 Here they were asked to do additional work
 18 relative to an LTI performance unit valuation
 19 review and a call.

20 MS. TEODORESCU: Now, what does that the
 21 mean?

22 THE WITNESS: What I would understand that to
 23 mean would be that there were some factors, some
 24 metrics provided to them, but it would be more
 25 detail around, Here's what we want to measure.

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1 Here's how we want to price it out, and here's
 2 what it's going to cost, the final cost.

3 MS. TEODORESCU: So how did Towers Watson
 4 arrive at the conclusion that they have to do
 5 this valuation review and call?

6 THE WITNESS: Let me see. So on March 27th,
 7 2019, there was an email from me to Ryan asking
 8 if he's sending the financials to them.

9 MS. TEODORESCU: To Ryan Wannemacher?

10 THE WITNESS: Wannemacher to David Watson.
 11 So I'm assuming that was to, you know, fine-tune
 12 a formula, really take that from that high level
 13 construction to more detailed methodology.

14 But at no time did Towers Watson provide a
 15 plan document, the details like we saw on 7/23.
 16 They never provided anything of that nature. So
 17 that's -- that leads me to believe there might
 18 have been some disconnects in terms of
 19 expectations in terms of what they got from them
 20 versus maybe what they wanted.

21 MS. TEODORESCU: When you talk about "what we
 22 saw on July 23rd," that's what you were talking
 23 about, the board meeting packet, a portion of
 24 that packet at the end, the -- some form of
 25 presentation that had Towers Watson's name was

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1 included in that. Those are not the documents
 2 you're referring to. There were other documents
 3 in that packet that addressed some sort of an LTI
 4 in more detail; correct?

5 THE WITNESS: Yes, a plan document.

6 MS. TEODORESCU: And they were like a
 7 Word-type document; correct?

8 THE WITNESS: Yes.

9 MS. TEODORESCU: Not a PowerPoint
 10 presentation?

11 THE WITNESS: Not a PowerPoint presentation.

12 MS. TEODORESCU: Let's mark this April 22nd
 13 document -- the amendment, let's mark it as
 14 Exhibit 10 as we keep talking about it just so we
 15 can keep track of things.

16 (Exhibit 10, April 22 Amendment Document, was
 17 marked for identification.)

18 MS. HARRELL: Did you ever see what Ryan sent
 19 to David Watson?

20 THE WITNESS: No.

21 MS. TEODORESCU: He would have sent it
 22 through you; right? I mean --

23 THE WITNESS: (Shakes head.)

24 MS. TEODORESCU: Not necessarily?

25 THE WITNESS: No. He -- he had his email.

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1 He could have emailed him directly.

2 MS. TEODORESCU: Okay.

3 THE WITNESS: He may have had a telephone
 4 conversation with him. I -- I don't know.

5 MS. TEODORESCU: Got it.
 6 So what else was Towers Watson amending on
 7 April 27th?

8 THE WITNESS: So it looked like they wanted,
 9 you know, the cost modeling for the proposal that
 10 they had put in there, and there were some things
 11 about -- just an extra slide about modernizing,
 12 you know, what total rewards should look like.
 13 So it was just additional information to round
 14 out the presentation.

15 MS. TEODORESCU: Now, that second bullet
 16 under the LTI --

17 THE WITNESS: Uh-huh.

18 MS. TEODORESCU: -- "Nonqualified Deferred
 19 Compensation Plan Research" --

20 THE WITNESS: Okay.

21 MS. TEODORESCU: -- do you know what that was
 22 about?

23 THE WITNESS: So once you put an LTI plan in
 24 place, obviously, you have to administrate it.
 25 And there were discussions about wanting to have

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1 a portal for the employees, like a website that
 2 they could go out there and -- as the value
 3 changes, so if JEA's -- the metrics change --
 4 let's say it was Ebada (phonetic) or something
 5 like that or costs per share would be an
 6 example -- so they would be able to have a place
 7 where they would see what they're -- what they
 8 were awarded at the initial award. Let's say it
 9 was 10 units. Then they -- the value, as the
 10 value changes over time, it probably -- they
 11 would be able to see that, and it would calculate
 12 what their value would be on that particular day.
 13 So it's a way to provide the employees immediate
 14 feedback on, Okay. This is how the company is
 15 progressing. Here's -- so you would look for a
 16 vendor who would help us do that because we did
 17 not have the capability.
 18 We don't have a plan -- we didn't have a
 19 plan, didn't have an administrator. I don't know
 20 if you've ever had a 401(k) type of plan where
 21 you go out there -- or you have an IRA. You go
 22 out there, you look at your investments, and you
 23 can allocate them and watch them grow. It was
 24 kind of the same concept.
 25 MS. TEODORESCU: What is nonqualified

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1 deferred compensation?
 2 THE WITNESS: So a nonqualified deferred
 3 compensation plan is -- how can I explain this?
 4 If the -- it's not backed. I'm putting it in
 5 laymen's terms. It's not -- it's not backed like
 6 a bank account. And the company doesn't
 7 necessarily keep the money in account with your
 8 name on it.
 9 So if for -- if for any reason the company
 10 were to experience a change of control, the
 11 investors or debtors or whoever -- I don't know
 12 all the proper terms -- come and say, You owe us
 13 first, if the company went bankrupt, those people
 14 get paid first. People who have nonqualified
 15 plans get paid last. So it's not guaranteed
 16 money, like a 401(k) type of plan, which is a
 17 non -- which is a qualified plan.
 18 And so the long-term incentive plan was a
 19 nonqualified plan. It did not have the IRS
 20 guarantee that a 401(k) type of plan has.
 21 MS. TEODORESCU: Okay. And then when you go
 22 to that penultimate bullet that -- you pointed
 23 out the cost modeling of the proposed STI/LTI
 24 plans.
 25 THE WITNESS: Uh-huh.

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1 MS. TEODORESCU: What was that going to be,
 2 or what does it mean?
 3 THE WITNESS: My understanding was it would
 4 be what's the plan going to cost us when -- if we
 5 apply all of the metrics that we've discussed and
 6 the components of a plan over a three-year
 7 period, what would be the high or the low, so
 8 what's the plan going to cost, similar to how I
 9 explained it earlier, that, you know, you've got
 10 a budget. You've got a maximum, and you have a
 11 minimum.
 12 And so you would think it would fall
 13 somewhere in between there, and that's what
 14 Towers Watson was asked to do was, What would
 15 this plan cost us, potentially?
 16 MS. TEODORESCU: Did they ever do that?
 17 THE WITNESS: I think they did. They gave a
 18 number.
 19 MS. TEODORESCU: Do you remember what that
 20 number was?
 21 THE WITNESS: I thought it was somewhere in
 22 the ballpark of maybe 4.9- or 3.8 million,
 23 something like that. I don't have the final --
 24 MS. TEODORESCU: Does 3.4- sound familiar as
 25 a number, 3.4 million?

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1 THE WITNESS: Like I said, somewhere between
 2 3- and probably 5-.
 3 MS. TEODORESCU: Did you ever discuss it with
 4 them, how they arrived at it?
 5 THE WITNESS: I believe there were
 6 discussions. But at that point, honestly, it was
 7 beyond my understanding.
 8 MS. TEODORESCU: Involvement?
 9 THE WITNESS: Understanding.
 10 MS. TEODORESCU: What do you mean?
 11 THE WITNESS: Well, I mean, I -- I never
 12 understood -- I'm not an accountant. I'm not a
 13 financial analyst, so I don't know how they
 14 calculate, you know, the financials and how they
 15 come up with the values associated and the
 16 triggers to get there.
 17 So I think for me, when we were going through
 18 this process, that was part of the -- that's
 19 where the gaps started to occur for me, was I
 20 wasn't seeing the tangible output of, Here's the
 21 plan, you know, A plus B equals C. I wasn't
 22 seeing that as clearly as probably you should if
 23 you're going to be administering a plan.
 24 MS. TEODORESCU: And are you talking about
 25 the elements of the plan or the components of the

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1 plan or the cap on the plan, the maximum cap?

2 THE WITNESS: So --

3 MS. TEODORESCU: Or all of those?

4 THE WITNESS: -- I would say all of those

5 because I did not know what the maximums were. I

6 did not know what the units were that they were

7 going to deliver to people.

8 So once we -- we got the basic understanding

9 from Towers, Hey, here's a plan. Here's the

10 costs. Based on the metrics that you provided --

11 and this was Ryan's discussion with them -- based

12 on what you provided, this is about what it would

13 cost.

14 Again, there should have been a meeting

15 between Towers to explain it to the comp

16 committee. At that point, I was not -- I was not

17 engaged to get into those kind of details. And

18 so it -- it started to go quiet.

19 MS. TEODORESCU: Well, so let's go

20 chronologically to figure out when it went quiet

21 for you.

22 THE WITNESS: Uh-huh, yeah.

23 MS. TEODORESCU: So April 22nd, there is this

24 amendment to the scope of services.

25 THE WITNESS: Uh-huh, uh-huh.

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1 MS. TEODORESCU: Did you expect this? Did it

2 come as a surprise to you when you saw it?

3 THE WITNESS: I had a little bit of

4 frustration. It just seemed like we were adding

5 things more and more, and they were asking us for

6 more and more money. So it was getting a little

7 frustrating because we have should have been at

8 the end of the project.

9 MS. TEODORESCU: Well, was this added based

10 on discussions you had with them after

11 March 19th, what they were expected to do after

12 March 19th? And so would you have expected these

13 bullet points?

14 THE WITNESS: The nonqualified deferred comp

15 plan -- so all of these bullet points from

16 April 22nd were the result of the draft discussed

17 on March 19th. So if there was missing

18 information or they felt like from that meeting

19 there should have been additional information,

20 the April 22nd -- the follow-up work was to

21 finish the product, to get a final product to

22 take it to the compensation committee and for

23 them to deliver that presentation to them.

24 MS. TEODORESCU: So on March 19th, did

25 somebody tell Towers Watson that they have to

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1 value the LTI, that they have to do cost modeling

2 for the proposed STI and LTI plans? Did somebody

3 tell them that, or did they come back to you on

4 April 22nd basically saying, Because you asked

5 for certain things on March 19th, we also have to

6 do this?

7 THE WITNESS: (No response.)

8 MS. TEODORESCU: I can break it up into

9 pieces.

10 THE WITNESS: Well, to explain, I think that

11 some of these components were discussion items

12 that came up in the March 19th meeting. So as an

13 example, I go back to the nonqualified deferred

14 and comp plan research. That was never part of

15 the initial discussion, and that became, Oh,

16 well, we might need somebody to help us

17 administrate this plan, or, you know, Can you,

18 you know, give up some information?

19 So I had to go to a secondary consultant and

20 have conversations with them and explain kind of

21 what we were trying to do. So that was something

22 that, Oh -- it was kind of an ah-ha moment during

23 the 19th meeting that, Oh, we're going to need to

24 administrate something.

25 The research and summarized the evolution of

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1 compensation plans at JEA, again, preparing to go

2 to a board or a comp committee that doesn't have

3 knowledge of what you do on a day-to-day basis,

4 you want to give them some background knowledge.

5 So, you know, Angie and the team felt it would be

6 appropriate to have a little bit more background

7 information so they would understand, so that's

8 additional work that they've got to come back and

9 add.

10 Additional check-in calls for rerunning

11 variance analysis, I think there was a gap that

12 we identified in that meeting and said, "Hey,

13 you've got to do this." Again, the gap analysis.

14 Cost modeling for STI/LTI, without looking at

15 this in detail, I would say again this was draft;

16 they wanted more final numbers.

17 MS. TEODORESCU: Do you remember who at JEA

18 said on March 19th, "We need cost modeling

19 for" --

20 THE WITNESS: No.

21 MS. TEODORESCU: -- "the STI and the LTI"?

22 THE WITNESS: I don't remember. We were all

23 present in the meeting, and, you know, they took

24 notes. And then this is a reiteration of, Hey,

25 this is what we heard you wanted. Is this

<p style="text-align: right;">Page 85</p> <p>1 correct? If so, this will be the work that we 2 do.</p> <p>3 MS. TEODORESCU: But do you remember this 4 being discussed, the cost modeling, the need for 5 cost modeling? Do you remember that being 6 discussed? Or because Mr. Zahn said he wanted a 7 plan designed --</p> <p>8 THE WITNESS: Uh-huh.</p> <p>9 MS. TEODORESCU: -- then Towers Watson came 10 back and said, Well, if we're going to design a 11 plan, we're going to have to do cost modeling?</p> <p>12 THE WITNESS: Uh-huh. He -- he wanted more 13 details on the plan. He wanted it to talk more 14 about, you know, the metrics and what that could 15 look like in terms of cost.</p> <p>16 And, again, you're talking about a draft 17 going into the final presentation. He wanted 18 more detail.</p> <p>19 MS. TEODORESCU: But you don't remember 20 anybody specifically mentioning cost modeling --</p> <p>21 THE WITNESS: I don't remember.</p> <p>22 MS. TEODORESCU: -- on March 19th?</p> <p>23 THE WITNESS: I don't recall anybody 24 specifically saying it, no. But, again, they 25 took notes, and that's what they delivered on.</p>	<p style="text-align: right;">Page 87</p> <p>1 THE WITNESS: Actually, I have -- but, yeah, 2 you can show that to me. I have a few copies 3 here of --</p> <p>4 MS. HARRELL: And the email chain is 5 marked -- it's from the Diamond Sale meeting 6 material, and it's marked JEA0629 through 7 JEA0631. And it looks like the first email -- as 8 you start from the bottom up, it's Page JEA 0631. 9 That's the April 22nd email.</p> <p>10 THE WITNESS: Let me find that one. I have 11 that one. "Incorporate all the edits. We just 12 got off our last call. Please review," blah, 13 blah, blah.</p> <p>14 Okay. So then we get into review mode.</p> <p>15 MS. HARRELL: Okay. And we'll attach this as 16 Exhibit 11. And then what you have there --</p> <p>17 THE WITNESS: They --</p> <p>18 MS. HARRELL: Well, we'll attach the emails 19 as Exhibit 11.</p> <p>20 (Composite Exhibit 11, April 22 Email and 21 Attachments, Bates Nos. JEA 0629 through JEA 22 0631, was marked for identification.)</p> <p>23 MS. HARRELL: And then you've got a copy of 24 what was attached to that April 22nd email.</p> <p>25 THE WITNESS: Uh-huh.</p>
<p style="text-align: right;">Page 86</p> <p>1 And then we agreed to Angie would share this with 2 Aaron to say, Is this what we agree to?</p> <p>3 MS. TEODORESCU: So that's Exhibit 10. I'm 4 going to return this to you before I lose it.</p> <p>5 So what happened after April 22nd?</p> <p>6 THE WITNESS: So we received emails with some 7 presentations, like the final presentations. And 8 the goal was to get Towers Watson -- Willis 9 Towers Watson in front of the comp committee.</p> <p>10 And the comp committee chair, I believe, was 11 not available in April, so it got pushed to May 12 and maybe came in June.</p> <p>13 MS. HARRELL: Did you receive another draft 14 plan on April the 22nd?</p> <p>15 THE WITNESS: I think -- not that -- you're 16 talking about the --</p> <p>17 MS. HARRELL: In an email.</p> <p>18 THE WITNESS: The PowerPoint presentation?</p> <p>19 MS. HARRELL: Yes.</p> <p>20 THE WITNESS: If you have -- do you have a 21 copy of it or --</p> <p>22 MS. HARRELL: I've got a set of --</p> <p>23 THE WITNESS: Don't recall.</p> <p>24 MS. HARRELL: -- an email string that I'll 25 show you.</p>	<p style="text-align: right;">Page 88</p> <p>1 MS. HARRELL: And I'll take that to get a 2 copy, if you don't mind.</p> <p>3 THE WITNESS: Okay.</p> <p>4 MS. HARRELL: And then we'll attach it as 5 Exhibit 12. And before I do that, is that the 6 document -- what will be marked as Exhibit 12, is 7 that the document that you forwarded to Mr. Zahn 8 in that email string?</p> <p>9 THE WITNESS: Yes, yes. I -- I originally 10 forwarded it in a Power -- in a PDF so it would 11 not be mod- -- be able to be modified or edited. 12 And he subsequently in an email said, "Could you 13 send me a PowerPoint."</p> <p>14 MS. HARRELL: And you sent to him in the 15 PowerPoint?</p> <p>16 THE WITNESS: I had to ask Towers to get that 17 to me, and they sent it, and I sent it on.</p> <p>18 MS. TEODORESCU: Can we go off the record? 19 (Brief recess.)</p> <p>20 MS. HARRELL: Let's go back on the record, 21 then. So we've got Composite Exhibit 11, which 22 consists of the documents marked JEA 0629 through 23 JEA 0631, which are emails about the compensation 24 committee draft, and that's what's also attached. 25 Does that seem correct?</p>

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1 THE WITNESS: Yes.

2 MS. HARRELL: And you said earlier that you

3 received it in PDF form, and then in your

4 email -- you forwarded both a PDF and a

5 PowerPoint to Aaron Zahn.

6 Did you hear back from Aaron Zahn about this,

7 what you forwarded him?

8 THE WITNESS: (Shakes head.)

9 MS. HARRELL: No? Is that a -- I need you

10 to --

11 THE WITNESS: No.

12 MS. HARRELL: Okay.

13 THE WITNESS: No.

14 MS. HARRELL: And then it looks like you

15 emailed a Jon Kendrick about this --

16 THE WITNESS: Uh-huh, yes.

17 MS. HARRELL: -- on April 29th.

18 Why -- the last line of your email to

19 Mr. Kendrick says, "I do not get the impression

20 that he's happy with the product." Why did you

21 get that impression.

22 THE WITNESS: I wasn't getting any feedback,

23 and I didn't get the impression that he wanted to

24 proceed with the product that he had to the

25 committee, the comp committee. And it just

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1 seemed like the meetings kept getting

2 rescheduled, and I wasn't getting any feedback as

3 to, you know, "Is there anything wrong? Do I

4 need to do anything?" It was just nothing.

5 MS. HARRELL: Okay. The comp committee

6 meetings kept getting rescheduled?

7 THE WITNESS: They did, uh-huh. And then I

8 wasn't getting any feedback at that point.

9 MS. HARRELL: And what feedback did you get

10 from Mr. Kendrick?

11 THE WITNESS: So -- so to back up, there was

12 one situation with this one presentation of the

13 22nd that Towers Watson was not aware of the fact

14 that compensation committees are in City

15 Sunshine.

16 They didn't realize they were

17 publicly-noticed meetings, and they felt like

18 there was content within here that was

19 proprietary, that that's how they make their

20 money is, you know, some basic information that

21 they have in here, that somebody can take and use

22 at another company. And they had not had the

23 opportunity to make this the final document for a

24 public meeting.

25 So there were -- there were subsequent

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1 versions that now start to prepare it for a

2 public meeting. That would be the compensation

3 committee. So there's various iterations of

4 drafts, and then, Oh, now they want to, you know,

5 protect their proprietary information, which as a

6 global company, you know, that's what they think

7 they can do. Working with government, I'm not so

8 sure we agree with that.

9 So, you know, there -- there was some

10 discontent with that. And I know Aaron was

11 dissatisfied that now they're suddenly realizing,

12 Oh, we have to be in the public, and Aaron was

13 A-okay with the version that was very detailed.

14 So I think there was just some general

15 dissatisfaction with them.

16 MS. HARRELL: When you say the version that

17 was very detailed, you mean --

18 THE WITNESS: The 22nd.

19 MS. HARRELL: What was your next involvement

20 with Willis Towers Watson on this?

21 THE WITNESS: So I was just trying to get the

22 final product from them so that we could actually

23 proceed with the meeting, and that -- that's

24 where we were. It was just waiting to get the

25 final meeting to them. That's it.

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1 MS. HARRELL: And when did you get the final?

2 THE WITNESS: I did not get a final meeting.

3 I don't know if the meeting ever occurred. I

4 will say, too, that Towers Watson did eventually

5 provide a draft that was for public discussion,

6 and that was the one on June 18th.

7 So, for example, you see where there's been

8 blacked out? That's their proprietary

9 information.

10 MS. HARRELL: Okay.

11 THE WITNESS: And that was critical

12 information that you would want a board or a

13 public entity that's going to make a decision on

14 something to see. And in a private sector it's

15 contained within the board; it's not going to be

16 public. Whereas, in this environment, it's going

17 to be very public.

18 So there started to be a little bit of

19 discussion around, "Well, this is proprietary,

20 and I want this to be out there. I want it to be

21 seen by both the public, as well as the board."

22 MS. TEODORESCU: So what happened at that

23 point?

24 THE WITNESS: Again, that's when I -- I heard

25 no more. He -- he got the version of June 18th,

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1 and this was the final version that I'm aware of,
 2 and that was it.
 3 MS. HARRELL: Okay. That final version is
 4 marked "Discussion Draft."
 5 THE WITNESS: Yeah, let me -- there was one I
 6 thought that said "For Public." As far as I
 7 know, this -- this was the final version.
 8 Do you have a later version at any point?
 9 MS. TEODORESCU: Well, no, it -- let me just
 10 ask you this: I know it says "June 18" on the
 11 document.
 12 THE WITNESS: Uh-huh.
 13 MS. TEODORESCU: -- but that doesn't mean it
 14 was created on June 18th; correct?
 15 THE WITNESS: Umm.
 16 MS. TEODORESCU: It's possible that it was
 17 created --
 18 THE WITNESS: For June 18th.
 19 MS. TEODORESCU: -- for --
 20 THE WITNESS: Yeah, June 18th. Okay. I
 21 don't recall for exact. I'm sorry.
 22 MS. TEODORESCU: That's okay.
 23 THE WITNESS: Too much time has passed.
 24 MS. TEODORESCU: It's been a while and a lot
 25 of emails and a lot of documents.

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1 THE WITNESS: Uh-huh.
 2 MS. TEODORESCU: So what happens after
 3 April 22nd, when Towers Watson sends the email
 4 with that attachment, the PowerPoint
 5 presentation?
 6 THE WITNESS: Right.
 7 MS. TEODORESCU: What subsequent work do they
 8 do on that document?
 9 THE WITNESS: I'll have to look.
 10 MS. TEODORESCU: That's okay. Please do.
 11 THE WITNESS: I have to look.
 12 MS. TEODORESCU: And I'm thinking in general.
 13 THE WITNESS: Right. And, see, at this
 14 point, it -- to me is becoming just general, you
 15 know, maybe some language didn't -- or maybe
 16 there was a number and it wasn't as clear as it
 17 needed to be.
 18 I perceived it as just fine-tuning everything
 19 to get ready for the board --
 20 MS. TEODORESCU: And your understanding --
 21 THE WITNESS: -- or the chair.
 22 MS. TEODORESCU: -- was that Towers Watson
 23 were going to present the -- their findings,
 24 their study --
 25 THE WITNESS: Correct.

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1 MS. TEODORESCU: -- to the compensation
 2 committee?
 3 THE WITNESS: Correct.
 4 MS. TEODORESCU: And as far as you know, they
 5 never did present anything?
 6 THE WITNESS: As far as I know, they did not.
 7 MS. TEODORESCU: Do you know why?
 8 THE WITNESS: No.
 9 MS. TEODORESCU: Do you know if Mr. Zahn
 10 didn't want them at the committee meeting?
 11 THE WITNESS: I don't know that for sure.
 12 MS. TEODORESCU: Let me show you an email,
 13 and we'll mark this Exhibit 12.
 14 (Exhibit 12, Email, was marked for
 15 identification.)
 16 MS. TEODORESCU: If you want to look at the
 17 marked one -- I don't know. Do you know what
 18 this was about, what the problem was?
 19 THE WITNESS: I was equally perplexed when I
 20 saw this.
 21 MS. TEODORESCU: So as far as you can tell,
 22 looking at the way this is progressing, what was
 23 the reaction to -- now, you may want to read the
 24 whole trailer.
 25 THE WITNESS: So from what I saw of the work

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1 that Towers Watson had done and knowing what they
 2 had done in the past, in my experience in
 3 compensation, it seemed like a perfectly good
 4 work product. Based on what was asked in the
 5 various statements of work, they delivered on it.
 6 And so when he was saying he felt like the
 7 work was incomplete, beyond what he -- because I
 8 remember seeing this -- beyond that statement, I
 9 did not know what he meant. I didn't -- you
 10 know, it's not -- he did not articulate
 11 specifically, other than what he says in here,
 12 which, quite frankly, it's highly unprofessional,
 13 which I disagree with 110 percent. And I made
 14 that vocal to Jon, that I disagreed with this,
 15 that this is about as good as it's gonna get --
 16 going to get.
 17 "Inaccurate relative to market and
 18 inconsistent with prior data they already" -- I
 19 don't know if there was a number that was, you
 20 know, transposed or something and he caught it.
 21 It -- it wasn't -- I was like, "What do you mean?"
 22 I don't understand where you think that there's
 23 this big disconnect between the data that they've
 24 been providing us because there's various
 25 comparisons now."

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1 I think they -- when they were getting it
 2 prepared for the public record, they started
 3 blacking out information, which in his mind I
 4 would think created the idea that it looked
 5 unprofessional. It didn't -- and it didn't look
 6 in the manner that he wanted. He -- he may not
 7 have not even liked the color scheme of this, for
 8 all I know. Okay. I don't know.

9 He -- he had different presentation styles
 10 than Towers, but this is Towers Watson's product.
 11 This is how they deliver it, and that's the way
 12 they would deliver it to the end body that's
 13 going to hear it. They -- this is their format.

14 And I think he was getting frustrated with
 15 the fact that going to the public now, we were
 16 going to have to not show certain information
 17 that was fairly important, I think, in the
 18 overall story of what was going on. And I don't
 19 think -- you know, if Angie were here, Jon,
 20 myself -- we didn't disagree with the fact that
 21 that information should be shown. We didn't see
 22 where that information was proprietary, and it
 23 should have been shown.

24 So I think there were -- there were some
 25 general disagreements relative to that, and we

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1 had some discussions about that, but -- you know,
 2 "Why can't you show that? That doesn't seem to
 3 be in any way proprietary information."

4 MS. TEODORESCU: Let me get the -- all right.
 5 So this is the document that you had sent him on
 6 June 5th. It's actually this one, and we'll mark
 7 it Exhibit 13.

8 (Exhibit 13, June 13 Document, was marked for
 9 identification.)

10 MS. TEODORESCU: And I only have one copy
 11 here, so you can take a look at it.

12 THE WITNESS: (Examining document.)

13 MS. TEODORESCU: When you look at the
 14 attachment -- and that's the product that
 15 Mr. Zahn is referring to.

16 THE WITNESS: Uh-huh.

17 MS. TEODORESCU: -- is there anything in it
 18 that refreshes your recollection as being
 19 incomplete, inconsistent, inaccurate?

20 THE WITNESS: No, nothing that is going to
 21 change this substantially or be of concern, you
 22 know.

23 MS. TEODORESCU: Did you communicate
 24 Mr. Zahn's comments to Towers Watson?

25 THE WITNESS: If I did, it was in an email.

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1 I mean, whatever -- whatever is in email, I
 2 think, if there were any. I -- he wasn't ar- --
 3 he was not articulating to me, other than what --
 4 you know, if there was a peer group analysis. I
 5 just don't think -- I just don't remember
 6 anything being substantial enough that I even
 7 remember it. It would be very minor, if there's
 8 a change in, you know, a comma, a period, or
 9 something like that.

10 MS. TEODORESCU: And then he says at the end
 11 of that email "I look forward to our discussion
 12 on how to actually provide the board a work
 13 product they expect."

14 Do you -- did you have discussions with him?

15 THE WITNESS: I asked Jon what that meant. I
 16 usually did not communicate with Aaron directly.
 17 It was usually through Jon. So I asked Jon what
 18 that meant, and I never got a response back. I
 19 asked him a couple of different times and never
 20 got a response back.

21 MS. TEODORESCU: Were you then involved in
 22 making changes to this Towers Watson document?

23 THE WITNESS: After whatever the product was
 24 scheduled for June 18th, nothing else after that.

25 MS. TEODORESCU: But from the June 5th email,

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1 there -- there's an indication that Mr. Zahn
 2 expects some changes to the document, I would
 3 think, based on that last sentence.

4 THE WITNESS: Right. And so I would expect
 5 Jon -- I would talk to Jon to try to get that
 6 information from Aaron. And if he got something,
 7 he could also reach out to David and talk to
 8 David directly. But at that point, I wasn't
 9 getting anything that I was acting on.

10 MS. TEODORESCU: So you -- you didn't have to
 11 change anything --

12 THE WITNESS: No.

13 MS. TEODORESCU: -- to the document?

14 THE WITNESS: No, huh-uh. I never changed
 15 anything to the documents. It was all Willis
 16 Towers Watson if they made any changes.

17 You were talking about changes. Early on or
 18 earlier in the process there was an email
 19 exchange that said, Well, this slide, you know,
 20 you need to do this, or, This slide, you need to
 21 do that. Let me see if I can find it. I don't
 22 remember the date, but it was very early on. It
 23 wasn't at this point in the process.

24 MS. TEODORESCU: Well, I was wondering
 25 because he says here, that -- from this point on,

<p style="text-align: right;">Page 101</p> <p>1 whatever this attachment is --</p> <p>2 THE WITNESS: Uh-huh.</p> <p>3 MS. TEODORESCU: -- he's looking forward to a</p> <p>4 discussion on how to provide a work product --</p> <p>5 THE WITNESS: Right.</p> <p>6 MS. TEODORESCU: -- that the board expects,</p> <p>7 so I'm assuming changes were made?</p> <p>8 THE WITNESS: Right. Well --</p> <p>9 MS. TEODORESCU: Could have been made to the</p> <p>10 document. That what -- I was just wondering if</p> <p>11 you were involved and you knew what the changes</p> <p>12 would be.</p> <p>13 THE WITNESS: No, I was not.</p> <p>14 It was not abnormal for the leadership that's</p> <p>15 going to present to the comp committee members or</p> <p>16 the board to have a meeting together to talk</p> <p>17 about, you know, how they're going to present it</p> <p>18 or they may have a practice session with David,</p> <p>19 not with the comp committee, not with committee</p> <p>20 members or the board, but it might be an SLT</p> <p>21 member with David prepped for the meeting. But I</p> <p>22 don't know that anything like that ever happened.</p> <p>23 MS. TEODORESCU: Was David --</p> <p>24 THE WITNESS: David Watson.</p> <p>25 MS. TEODORESCU: Oh --</p>	<p style="text-align: right;">Page 103</p> <p>1 And so, yes, there's been a -- there's been</p> <p>2 gradual movement to be more market-competitive</p> <p>3 and appropriate, but I don't think that Towers</p> <p>4 Watson ever said we recommend a gradual movement</p> <p>5 towards market.</p> <p>6 MS. TEODORESCU: When was the next time you</p> <p>7 saw any document or had any discussion about an</p> <p>8 LTI plan after --</p> <p>9 THE WITNESS: I'm trying to read.</p> <p>10 MS. TEODORESCU: -- Towers Watson's June 5th</p> <p>11 document?</p> <p>12 THE WITNESS: The last time I heard about an</p> <p>13 LTI document before 7/23 would have been around</p> <p>14 the time we were trying to schedule the meeting.</p> <p>15 That was it. I didn't know that we were -- I</p> <p>16 didn't know that somebody -- I shouldn't even say</p> <p>17 we because I wasn't part of it. I didn't know</p> <p>18 what had happened to it. I assumed that maybe it</p> <p>19 had just died, nobody was going to do it, they</p> <p>20 figured it's not worth it.</p> <p>21 MS. TEODORESCU: You're saying trying to</p> <p>22 schedule the meeting. Which meeting?</p> <p>23 THE WITNESS: So the meeting with Towers --</p> <p>24 with Willis Towers Watson and the board. When I</p> <p>25 didn't hear anything about it happening, I didn't</p>
<p style="text-align: right;">Page 102</p> <p>1 THE WITNESS: You know, if they were coming</p> <p>2 down here, they would prep them for that meeting,</p> <p>3 as well as, you know, how's the meeting going to</p> <p>4 go, how is -- you know, just to prep them. And a</p> <p>5 meeting like that never happened, to my</p> <p>6 knowledge.</p> <p>7 MS. TEODORESCU: But you were left out from</p> <p>8 any further discussions on Towers Watson's</p> <p>9 document?</p> <p>10 THE WITNESS: So Towers Watson presented</p> <p>11 their information, and then as far as I know,</p> <p>12 there was no other discussion. I mean, they</p> <p>13 presented a version, and there were no other</p> <p>14 discussions. And so if there were discussions,</p> <p>15 that's when I was not involved.</p> <p>16 MS. TEODORESCU: Do you remember if Towers</p> <p>17 Watson ever recommended a gradual move towards</p> <p>18 the 50th percentile on total compensation?</p> <p>19 THE WITNESS: No. I -- I do know that back</p> <p>20 in 2011 we'd been talking about trying to get</p> <p>21 closer. And so what that means is you could get</p> <p>22 closer with base, you could get closer with base</p> <p>23 plus incentive, meaning short-term incentives.</p> <p>24 If you add LTI, that moves you closer. And so</p> <p>25 each of those components move you closer.</p>	<p style="text-align: right;">Page 104</p> <p>1 know if they had had individual conversations. I</p> <p>2 don't know -- you know, I did not hear anything.</p> <p>3 And so I assumed that maybe the LTI plan</p> <p>4 wasn't going to be discussed any further. I</p> <p>5 didn't -- I really didn't know how it was being</p> <p>6 approached. And my direction shifted a little</p> <p>7 bit.</p> <p>8 MS. TEODORESCU: You had other things to do?</p> <p>9 THE WITNESS: Uh-huh, yes.</p> <p>10 MS. TEODORESCU: And when was the next time</p> <p>11 you heard anything about an LTI?</p> <p>12 THE WITNESS: On the -- I was observing the</p> <p>13 board meeting of 7/23.</p> <p>14 MS. TEODORESCU: July 23rd.</p> <p>15 THE WITNESS: And it was approved in there.</p> <p>16 MS. TEODORESCU: Did you see those documents</p> <p>17 before July 23rd?</p> <p>18 THE WITNESS: No.</p> <p>19 MS. TEODORESCU: How did you get them?</p> <p>20 THE WITNESS: They were given to me by Jon.</p> <p>21 MS. TEODORESCU: On July 23rd?</p> <p>22 THE WITNESS: Or a day or so afterwards I was</p> <p>23 provided those.</p> <p>24 MS. TEODORESCU: Or before? You mean either?</p> <p>25 THE WITNESS: I wasn't provided them before.</p>

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1 It would have been after the board meeting I got
 2 my hands on them.

3 MS. TEODORESCU: Had you seen any of the
 4 documents in that package before the board
 5 meeting? There were, for example, proposed
 6 employment agreement.

7 THE WITNESS: Uh-huh. I did not see the
 8 employment agreement before that meeting.

9 MS. TEODORESCU: Did you see the retention
 10 agreements?

11 THE WITNESS: Yes.

12 MS. TEODORESCU: Was there a pension
 13 document?

14 THE WITNESS: There was a pension proposal.

15 MS. TEODORESCU: Had you seen that before
 16 July 23rd?

17 THE WITNESS: I had, yes.

18 MS. TEODORESCU: But not the PUP documents?

19 THE WITNESS: No.

20 MS. TEODORESCU: Do you know who designed --
 21 who drafted those PUP documents?

22 THE WITNESS: My understanding it was an
 23 external law firm, but I don't know which law
 24 firm it was.

25 MS. TEODORESCU: Not a consultant, not a

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1 business consultant?

2 THE WITNESS: Not Willis Towers Watson. They
 3 definitely did not do it, nor did anybody on
 4 the -- my team. Nobody did. It was -- it was
 5 external to JEA.

6 MS. TEODORESCU: Was that a -- were those
 7 documents something you could actually implement?

8 THE WITNESS: With the help of a third party,
 9 yes.

10 MS. HARRELL: What kind of third party?

11 THE WITNESS: So there would -- you know,
 12 finance would have to help keep track of the
 13 value, the earnings. You'd have to probably have
 14 a third party, which we do have E&Y come in and
 15 validate our financials on an annual basis. So
 16 E&Y would probably have to be involved, so a
 17 third party.

18 And then I had talked earlier about
 19 administration probably would need a third party
 20 to help administrate it.

21 MS. TEODORESCU: Did those documents contain
 22 cost modeling?

23 THE WITNESS: Which documents?

24 MS. TEODORESCU: Well, actually, yeah, that's
 25 not a good question.

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1 You wouldn't expect the PUP documents to
 2 include cost modeling, would you?

3 THE WITNESS: So typically when you have a
 4 long-term incentive plan, a PUP, whatever you
 5 want to call it, it would be fairly clear on the
 6 components that will be measured, and there would
 7 be a formula on how those could grow.

8 MS. TEODORESCU: Would you expect this plan
 9 to have a cap?

10 THE WITNESS: Yes.

11 MS. TEODORESCU: Do you know if this one had
 12 a cap?

13 THE WITNESS: No, I don't know enough
 14 information about it, the formula. No.

15 MS. TEODORESCU: What was your involvement
 16 with the PUP after July 23rd? What did you have
 17 to do?

18 THE WITNESS: So I didn't have anything to do
 19 with it other than Jon had provided me a copy of
 20 the documents, the plan document, explanation. I
 21 think there was an agreement or something in
 22 there for the employee that the employee would
 23 sign. It was an enrollment form.

24 So I was provided those and said, "You know,
 25 you might want to look at these and see -- you

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1 know, if you see anything." It seemed like the
 2 documents were fairly complete. I'm not real
 3 sure what input I would have provided that would
 4 have influenced it, but I -- I went through the
 5 documents.

6 My feedback, I did provide some feedback to
 7 say it's very confusing. I think there was an
 8 email to Lynne stating my concerns about the
 9 document, and it just seemed very complicated for
 10 an employee plan document. That's not the way
 11 I've -- I've been trained. It's been plain
 12 English. And I think I even referenced, used the
 13 expression the legalese of it.

14 MS. TEODORESCU: I agree with you on that.

15 THE WITNESS: Plan documents should be plain
 16 English for the layman, and it just -- it was
 17 very complicated. So that was a concern of mine
 18 because I -- I would not -- it would be very hard
 19 to now be provided this document to administer
 20 and explain it to an employee in a meaningful way
 21 that would make sense.

22 MS. TEODORESCU: Did Ms. Rhode (phonetic)
 23 ever answer -- answer that email?

24 THE WITNESS: I don't believe she did. I
 25 don't know if she got a copy of it. I don't

<p style="text-align: right;">Page 109</p> <p>1 believe she did.</p> <p>2 MS. HARRELL: Do you have a copy of this</p> <p>3 email, or do you want me to pull it? Do you have</p> <p>4 a better copy?</p> <p>5 MS. TEODORESCU: So once you sent that email,</p> <p>6 were you asked to review any more documents?</p> <p>7 THE WITNESS: The only thing I was asked at</p> <p>8 that point was a few weeks later: "We're --</p> <p>9 we're going to move forward with rolling it out."</p> <p>10 So around -- we were talking about this in</p> <p>11 October. I had to move open enrollment because</p> <p>12 we were talking about an enrollment period for</p> <p>13 the employees. So we were going to go out during</p> <p>14 open enrollment. We were going to communicate</p> <p>15 the plan. We were going to explain the features</p> <p>16 of the plan and how enrollment would work.</p> <p>17 And I think one of my concerns or -- and</p> <p>18 it's -- and it's primarily I did not understand.</p> <p>19 I'm not fully knowledgeable of everything there</p> <p>20 is to know about these types of plans. But I was</p> <p>21 concerned that we were already in the performance</p> <p>22 year. So fiscal year 2020 started October 1, and</p> <p>23 we were going to go ahead and have enrollment</p> <p>24 after the fiscal year began.</p> <p>25 And my understanding, right or wrong -- I</p>	<p style="text-align: right;">Page 111</p> <p>1 And within, I'd say, a week of being told we were</p> <p>2 going to deliver it through open enrollment, I</p> <p>3 was told we were not going to do an open</p> <p>4 enrollment.</p> <p>5 MS. TEODORESCU: Did it -- were you given a</p> <p>6 reason for it?</p> <p>7 THE WITNESS: I was told that the external</p> <p>8 third-party law firm was going to be the one to</p> <p>9 administrate it, administer the enrollment.</p> <p>10 MS. HARRELL: Was that Pillsbury firm?</p> <p>11 THE WITNESS: I don't know if it was -- I</p> <p>12 mean, the only firms we were working with that I</p> <p>13 was knowledgeable were either Pillsbury or Foley</p> <p>14 Lardner. I mean, I -- I don't think it was</p> <p>15 Pillsbury.</p> <p>16 MS. HARRELL: Did you ever talk to anybody at</p> <p>17 Pillsbury about this?</p> <p>18 THE WITNESS: No.</p> <p>19 MS. HARRELL: Did you ever talk to anybody at</p> <p>20 Foley?</p> <p>21 THE WITNESS: No, not about the LTI. No.</p> <p>22 MS. TEODORESCU: So that was, what, first,</p> <p>23 second week of October?</p> <p>24 THE WITNESS: So the enrollment was scheduled</p> <p>25 for the third week of October. So we were, you</p>
<p style="text-align: right;">Page 110</p> <p>1 don't know if it's wrong. It might very well be.</p> <p>2 But I had thought that we had to have the</p> <p>3 enrollment before the fiscal year started --</p> <p>4 before the performance period started.</p> <p>5 So I was questioning, Can we still do this?</p> <p>6 And my understanding is there are actually rules</p> <p>7 or regs that allow you in your first year of a</p> <p>8 performance plan like this to do it in the middle</p> <p>9 of the performance year or something of that</p> <p>10 nature, is what I was told. And so I was like,</p> <p>11 "Okay," you know, whatever.</p> <p>12 But there were other subsequent things that</p> <p>13 had to do with the third-party vendor.</p> <p>14 MS. TEODORESCU: Well, how about just the --</p> <p>15 you know, what were you going to tell the</p> <p>16 employees when you were explaining the plan? Did</p> <p>17 you have a script? Did somebody provide you the</p> <p>18 details of the plan?</p> <p>19 THE WITNESS: When I had the documents, when</p> <p>20 I started to -- I didn't even put anything on</p> <p>21 paper. I was just thinking about it. It's like,</p> <p>22 you know, How do I communicate this to the</p> <p>23 employee? Because I'm only going to do it in a</p> <p>24 slide or two.</p> <p>25 So, you know, I had gone through the plan.</p>	<p style="text-align: right;">Page 112</p> <p>1 know, under the thought process we'd be out there</p> <p>2 delivering the message. But then we were told no</p> <p>3 just before the open enrollment, "No, you're not</p> <p>4 going to do it."</p> <p>5 We're like, "Okay."</p> <p>6 MS. TEODORESCU: So this was sometime in</p> <p>7 October; right?</p> <p>8 THE WITNESS: Right.</p> <p>9 MS. TEODORESCU: Mid October?</p> <p>10 THE WITNESS: Right, right. It was probably</p> <p>11 October 16th -- I think I was emailed over the</p> <p>12 weekend, on October 14th or something, whatever</p> <p>13 that weekend was, and said, "Can you move open</p> <p>14 enrollment so we can accommodate this new, you</p> <p>15 know, program so that you can enroll?"</p> <p>16 So we moved open enrollment by a week with</p> <p>17 the plan that we were going to communicate it.</p> <p>18 We were already going to print on our benefits</p> <p>19 manual. When I saw the documents, the plan</p> <p>20 document, I pushed back and said, "These types of</p> <p>21 documents are not typically in an open enrollment</p> <p>22 health plan because open enrollment is for health</p> <p>23 plans, not incentive or, you know,</p> <p>24 investment-type plans, like the savings plans."</p> <p>25 So that doc- -- I had to education them that</p>

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1 document was very specific. Our open enrollment
 2 document was very specific, met legal
 3 requirements for open enrollment for health
 4 insurance, not for what they were trying to do.
 5 And I was being told, "Well, we want all of
 6 these documents in your open enrollment booklet."
 7 I said, "I'm going to print."
 8 MS. HARRELL: Who told you that?
 9 THE WITNESS: Jon --
 10 MS. HARRELL: Kendrick?
 11 THE WITNESS: -- Kendrick. Uh-huh.
 12 MS. TEODORESCU: Do you know if somebody else
 13 was telling him that it must happen?
 14 THE WITNESS: No, I don't know who was
 15 telling him. I would assume -- I would assume
 16 whoever he reports to, but I don't know.
 17 MS. TEODORESCU: He reported to Melissa
 18 Dykes; correct?
 19 THE WITNESS: Uh-huh, yes. But he also very
 20 often worked directly with Aaron on matters.
 21 MS. TEODORESCU: Oh.
 22 MS. HARRELL: It seems like it would be very
 23 disruptive to move open enrollment.
 24 THE WITNESS: Uh-huh. Oh, yeah, it was very
 25 disruptive.

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1 MS. TEODORESCU: So you moved it.
 2 THE WITNESS: We moved it.
 3 MS. TEODORESCU: And did the law firm present
 4 anything to the employees about the PUP?
 5 THE WITNESS: So we were -- again, we were
 6 probably a week out of open enrollment, so we did
 7 move the date. And we hadn't printed the
 8 documents yet, so we were able to change the date
 9 on when open enrollment was going to be. And we
 10 could make that change in the computer. That's
 11 pretty easy.
 12 What I really could not do -- I told them I
 13 could do an insert, I could do something, but I
 14 could not put those long-term incentive documents
 15 within the open enrollment document and that I
 16 was highly discouraging that.
 17 I further went on to say, "If you --
 18 typically these are separate enrollment periods.
 19 They're separate from things like open
 20 enrollment. They're their own enrollment period.
 21 We would send the packages from the company
 22 directly, we would," meaning benefits would
 23 "prepare those packages, prepare the letter. We
 24 would get the information back. We would monitor
 25 who -- you know, there's a deadline to enroll.

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1 We would" -- the very -- but the thing that was
 2 difficult for us was this was very different than
 3 what a long-term incentive plan typically looks
 4 like.
 5 I -- I never envision people buying,
 6 basically investing, in a unit of a company,
 7 especially at a public company. So that -- that
 8 was the thing that was a little difficult for me,
 9 was, Wow, so now it's not -- because long-term
 10 incentives, they -- they can be whatever you want
 11 them to be. But typically it's a company giving
 12 something to a person, and they have control over
 13 it and it's affiliated with something that's
 14 going to go up or go down.
 15 Now, when you have somebody buy -- if
 16 somebody buys something, the feedback I provided
 17 them was, "You buy the stock. Okay. It's
 18 typically a stock option plan. What do you do?
 19 You buy it. You buy at a value. You get to
 20 watch that value go up and down. If the value
 21 goes down, you have the ability sometimes to say,
 22 I want to cash out. I've lost my value.
 23 There might be a retention period, but, you know,
 24 you -- you walk away maybe with something, but it
 25 wasn't just because you walk away, you just lose

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1 your money. You lost your money because of the
 2 value associated with that company -- that
 3 financial metric went down."
 4 So in some cases there were some very
 5 different aspects of this plan that made it
 6 challenging.
 7 MS. TEODORESCU: Did anybody ever mention
 8 what was going to happen with the \$10 collected
 9 from the employees who bought the units? Was
 10 that money going to be invested in any way? Did
 11 you hear anything?
 12 THE WITNESS: I was never provided any
 13 details on what the money -- where the money
 14 would be, how -- I mean, no.
 15 MS. TEODORESCU: So what happened with the
 16 explanation of the PUP to the employees? So the
 17 law firm was going to do the explanation during
 18 the postponed enrollment, open enrollment period.
 19 THE WITNESS: So they then decided to detach
 20 the long-term incentive enrollment with open
 21 enrollment. So open enrollment went on as
 22 normal, and there would be a separate enrollment
 23 process for the long-term incentive, the PUP.
 24 MS. TEODORESCU: Did they say when it was
 25 going to happen?

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1 THE WITNESS: The -- they were looking to
 2 have it done before the end of the fiscal -- I'm
 3 sorry -- the end of the calendar year, so
 4 sometime in late November or December was my
 5 understanding.
 6 MS. TEODORESCU: When were you told that, and
 7 who told you?
 8 THE WITNESS: Jon Kendrick told me, and it --
 9 I mean, I would say probably sometime November.
 10 It was just a verbal conversation. I wouldn't
 11 say it was prior to the discussion that I had
 12 with Mass Mutual.
 13 MS. TEODORESCU: And when did you have that
 14 discussion?
 15 THE WITNESS: You would have...
 16 MS. HARRELL: Sorry. Was it an email
 17 discussion?
 18 THE WITNESS: It was -- it started with an
 19 email invitation to them, and I think you have
 20 that. But it would have been to Mike Sheets, and
 21 I'm thinking it was just before Thanksgiving.
 22 MS. HARRELL: I'm going to show you what is
 23 in the Diamond Sale Notebook as JEA 0671 through
 24 JEA 673 and see if that's what you're talking
 25 about (tendering).

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1 THE WITNESS: (Examining document.)
 2 Right. It would have been around this time.
 3 What I was trying to do was I knew I needed to
 4 get -- so around the beginning of November,
 5 because I had had a telephone conversation with
 6 them as well, what I was trying to figure out,
 7 number one, is if -- if -- if they did
 8 enrollment, first of all, could they do the
 9 administration and be able to -- basically be a
 10 record keeper. So it was basic recordkeeping,
 11 but it would prevent me from having to do an
 12 Excel spreadsheet and the employee could access
 13 it.
 14 So I was asking if they could even do that,
 15 and they were trying to put together their
 16 current 401(a) and 457 vendor -- or
 17 administrators, and -- TPAs is what I should call
 18 it, TPAs. And I was just trying to find out if
 19 they could add this as part of the suite that
 20 they offer us. And so they were doing some
 21 pricing in that particular email.
 22 And there were subsequent discussions about
 23 what the plan could look like from an
 24 administration standpoint. And then it became a
 25 question -- and this is where -- around

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1 Thanksgiving. This is why I have it stuck in my
 2 head, because suddenly became, "Well, can Mass
 3 Mutual facilitate the enrollment?" And that's
 4 where the ask was just getting way too big in too
 5 short a period of time.
 6 And I said, "There is no way that Mass Mutual
 7 can turn an enrollment where they would actually
 8 facilitate the enrollment and" --
 9 MS. TEODORESCU: Who asked that.
 10 THE WITNESS: So Jon Kendrick asked me to see
 11 if I could -- if Mass Mutual would be able to do
 12 an enrollment. And I just said, "There's not" --
 13 it was, like, a ten-day turnaround time. I was
 14 like, "There's no way we can do this because
 15 their system's set up -- it's a minimum of 60
 16 days."
 17 So post enrollment, they could have done some
 18 administration; we could have had it up and
 19 running by the third quarter of 2020 so people
 20 could see this on a quarterly basis. But they
 21 just wanted things a little too -- too expedient.
 22 Couldn't do it.
 23 MS. HARRELL: Did you have a conversation
 24 with Mass Mutual about the part in the email
 25 that -- Page JEA 0671, where Michael Sheets

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1 says -- talks about extracting from the database
 2 a list of employees with compensation over
 3 \$150,000 and that would be 37 people who were the
 4 most likely to contribute --
 5 THE WITNESS: Uh-huh.
 6 MS. HARRELL: -- to the plan?
 7 THE WITNESS: Uh-huh.
 8 MS. HARRELL: Did you ever have a
 9 conversation about how -- how he arrived at that
 10 number and figure and --
 11 THE WITNESS: So, again, sometimes -- you
 12 have to understand, while they may understand the
 13 administration of certain plans in the public
 14 sector space, when you start talking about
 15 something else, like a PUP plan or an LTIP plan,
 16 it's predominantly in the private sector. And,
 17 again, in the private sector, typically the
 18 individuals who are granted these types of
 19 programs make over \$100,000 a year, so -- plus,
 20 from their TPA administration of our 457 and
 21 401(a), they can also see who is actually
 22 participating in that, who's actually putting any
 23 money away for their retirement.
 24 So he was just making a generalization on,
 25 you know, Just based on what I see, maybe you'd

<p style="text-align: right;">Page 121</p> <p>1 have this number of people participate, which 2 when saw that number, I was like, "Okay." I 3 mean --</p> <p>4 MS. HARRELL: Because that wasn't the goal of 5 the PUP plan; right?</p> <p>6 THE WITNESS: Well, first of all, the email 7 that he provided was not -- it doesn't have any 8 bearing at all on what we're doing. He was just 9 trying to figure out what pricing would be 10 because you have to pay per person for 11 administration.</p> <p>12 MS. HARRELL: Okay.</p> <p>13 THE WITNESS: So he was trying to figure out, 14 well, what's -- we don't have any idea how many 15 people are going to raise their hand and enroll. 16 We have no historical information, so he's just 17 going based on other types of plans that he has 18 worked on and what trends might be. And right 19 about that point, it died. The conversation just 20 discontinued.</p> <p>21 MS. TEODORESCU: So when did you learn that 22 the PUP has been abandoned by JEA?</p> <p>23 THE WITNESS: Not until I started seeing all 24 the communications related to -- it's going to go 25 to the board. Whenever -- whenever those</p>	<p style="text-align: right;">Page 123</p> <p>1 MS. HARRELL: I do want to ask you about the 2 email from you to Lynne Rhode, and it's at JEA 3 649 and 650 of the Diamond Sale Notebook because 4 I know we referred to it.</p> <p>5 THE WITNESS: (Examining document.)</p> <p>6 MS. HARRELL: So you send the email that's at 7 the bottom of 649 and runs through to 650 --</p> <p>8 THE WITNESS: Uh-huh.</p> <p>9 MS. HARRELL: You sent that to her after 10 reviewing the plan.</p> <p>11 THE WITNESS: Uh-huh, uh-huh, yeah.</p> <p>12 MS. HARRELL: And were those the only 13 concerns you had at that point about the PUP?</p> <p>14 THE WITNESS: I -- it was -- it was not in 15 writing, but I had -- and I hadn't communicated 16 it verbally to Jon that I -- Jon Kendrick that I 17 was concerned that I didn't -- it seemed like to 18 me that the number of shares, units, whatever you 19 want to call them, I -- I had not seen anything 20 in terms of -- I wasn't clear on, well, what 21 happens if employees don't purchase the shares or 22 the units, what happens if there are these excess 23 shares. And I didn't know -- I never saw a scale 24 of who could buy up to what. So, for example, an 25 SLT member or a director even, I don't know how</p>
<p style="text-align: right;">Page 122</p> <p>1 communications started going out that -- so it 2 would have been after Thanksgiving, early 3 December that, you know, that it -- I heard the 4 way the public heard, the way the employees 5 heard. They were going to make a recommendation 6 to the board to discontinue the plan.</p> <p>7 MS. TEODORESCU: Was there an announcement in 8 Current? Capital C.</p> <p>9 THE WITNESS: I don't recall if there was or 10 not. I don't look at them that closely.</p> <p>11 MS. HARRELL: Did you get any feedback from 12 employees after it died, after PUP --</p> <p>13 THE WITNESS: Did we get any feedback?</p> <p>14 MS. TEODORESCU: Did employees express any 15 emotion?</p> <p>16 MS. HARRELL: Did anybody say, Gosh, I was 17 really looking forward to this, or, I wanted to 18 be able to --</p> <p>19 THE WITNESS: Not one call to me. I -- I did 20 not hear anything.</p> <p>21 MS. TEODORESCU: Have you heard other people 22 say that employees are expressing disappointment 23 that the PUP has been withdrawn?</p> <p>24 THE WITNESS: Not that I'm aware of. I 25 haven't heard anything about it.</p>	<p style="text-align: right;">Page 124</p> <p>1 many shares they could buy compared to, say, a 2 beginning unit employee. It seemed like it was 3 very low for the bargaining units, but it was 4 higher for a larger group, a higher group of 5 people.</p> <p>6 MS. TEODORESCU: Based on what? What makes 7 you think that?</p> <p>8 THE WITNESS: I can't say there was a solid 9 discussion around it, but I -- I just believe 10 there might have been a conversation at some 11 point that -- that the general employee 12 population was going to get only access to a 13 certain number of shares to purchase. And, 14 obviously, there was designed a larger pool of 15 available units, and what would happen to those 16 units if they weren't purchased? Would other 17 people be able to purchase it?</p> <p>18 So there were some of the things that just 19 weren't very clear to me, and normally it would 20 be crystal-clear if you're getting ready to roll 21 out a plan, that, you know, here is the schedule 22 for who can get X number of shares. You can 23 differentiate it by levels, but it'd be real 24 clear on how many.</p> <p>25 And so, yes, I recall there being a small</p>

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1 number of shares at the lower level employees,
 2 but I never saw any information about what -- the
 3 upper level. And so there were going to -- this
 4 is where I think the enrollment by another party
 5 other than my group would be engaged because I
 6 would never see what somebody else was offered to
 7 purchase. And that just seemed very strange to
 8 me.
 9 MS. TEODORESCU: So that information would
 10 not come to HR, what the senior leadership --
 11 THE WITNESS: Correct.
 12 MS. TEODORESCU: -- or upper management would
 13 get?
 14 THE WITNESS: It would be administered by --
 15 I mean, they were talking about having it
 16 administered by a third party. And then -- and
 17 that was another third party, which was the law
 18 firm at one point. And then it came back to,
 19 well, maybe Mass Mutual can do this for us. It
 20 just -- it was going in some circles.
 21 MS. TEODORESCU: There was discussion that
 22 the upper management performance unit would be
 23 managed by a different --
 24 THE WITNESS: The whole --
 25 MS. TEODORESCU: -- administrator?

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1 THE WITNESS: The whole program. So it
 2 started where enrollment in the unit plan would
 3 be conducted -- well, let me back up.
 4 So first we were going to the presentation,
 5 but enrollment would actually be done by a third
 6 party, and that's where the law firm came in. So
 7 everything was coming directly from the law firm,
 8 individual --
 9 MS. HARRELL: Pillsbury?
 10 THE WITNESS: Correct.
 11 Okay. So the law firm would be responsible
 12 for sending everything out. We would not see it.
 13 I don't know why.
 14 And so that seemed to be the plan for a
 15 while, and then suddenly, you know, in November
 16 it's like, "Well, we need somebody to
 17 administrate it.
 18 And I'm like, "Okay. So you're going to do
 19 the" -- they're going to do the enrollment.
 20 They're going to get everything back. They're
 21 going to have the legal documents. And then at
 22 some point somebody's going to give benefits,
 23 something, to give to Mass Mutual to do
 24 administration.
 25 And then suddenly in December, early December

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1 or late November, it was, "Oh, well, can they do
 2 enrollment?" So it just was -- it was just back
 3 and forth, so it was really strange. But I -- I
 4 never got a specific understanding of what the --
 5 what the difference -- different levels or
 6 different units would be for different groups of
 7 people.
 8 MS. HARRELL: Did you feel like Lynne Rhode
 9 answered your questions to your satisfaction in
 10 that email.
 11 THE WITNESS: Let me --
 12 MS. HARRELL: Sure.
 13 THE WITNESS: (Reviewing document.)
 14 Yes. She answered my questions, but that
 15 doesn't mean that I agreed with her answer.
 16 MS. HARRELL: Okay. What is it that you
 17 disagreed with?
 18 THE WITNESS: My point to bringing up what I
 19 brought up was the documents were too technical.
 20 They were too complicated. And I had hoped that
 21 maybe that would have influenced -- had some
 22 influence on maybe making those documents a
 23 little bit more user-friendly. And it was just
 24 answered in that manner, so it pretty much said,
 25 We hear you. Thank you. Have a great day.

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1 MS. HARRELL: Let me go through -- I have a
 2 couple of quick questions I wrote in my notes.
 3 Did Willet Stanford -- Willetta Stanford ever
 4 contact you about her exit interview with Scott
 5 Strackbine?
 6 THE WITNESS: Other than say that he -- all
 7 she said was he didn't say anything negative
 8 towards her group and he said positive things,
 9 but she never shared his actual exit interview
 10 with me. I think if he would have said anything,
 11 you know, negative to me, personally, she would
 12 have given me that feedback.
 13 MS. HARRELL: Did you have any involvement
 14 with the employment agreements for the executive
 15 team?
 16 THE WITNESS: No.
 17 MS. HARRELL: Even though you're part of --
 18 part of your duties are talent acquisitions?
 19 THE WITNESS: So -- so the agreements were --
 20 let me clarify that. So the agreements were
 21 approved of the day of the board meeting. I had
 22 never seen them prior to that. After the board
 23 approved them, they were given to our department,
 24 to my -- to the HR department to say, Here, you
 25 need to figure out how to administrate these.

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1 So there were various components within those
 2 agreements, allowances, vacation schedules,
 3 benefits, that they received. So between myself,
 4 the payroll department -- meaning benefits,
 5 payroll, and HRIS, we had to figure out how to
 6 now get this into the system.
 7 So that -- that would be our involvement in
 8 the agreement, is administration of the execution
 9 of what was in those agreements. Beyond that, we
 10 had no involvement in input on them or design.
 11 MS. HARRELL: Was there any major difference
 12 in the administration for this batch as opposed
 13 to, say, Mr. McElroy's, the prior CEO?
 14 THE WITNESS: Yes.
 15 MS. HARRELL: What were those differences?
 16 THE WITNESS: The vacation schedules were
 17 accelerated for some. They -- so we have
 18 accrual, vacation accrual.
 19 MS. HARRELL: Uh-huh.
 20 THE WITNESS: Most people follow the same
 21 Plan H. It doesn't matter if you're an executive
 22 or a regular employee. There were specific hours
 23 put in these agreements that individuals that
 24 normally would not be eligible for those hours
 25 received on an accelerated basis. So we had

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1 to -- the HRIS team had to do some modifications
 2 to get those in.
 3 There were business allowances. We had
 4 business allowance already in the -- I don't
 5 remember exactly what Mr. McElroy's business
 6 allowance was, but in the past, you didn't get a
 7 cell and a parking allowance. Like, those
 8 allowances were for people who are nonexecutive.
 9 So usually anybody who is director and below and
 10 management-appointed would get, per the policy,
 11 their cell allowance or parking allowance.
 12 MS. HARRELL: Cell phone?
 13 THE WITNESS: Right, cell phone allowance.
 14 The executives did not have access to those
 15 two types of allowances. They got one allowance
 16 called a business allowance. So in those
 17 agreements, I believe it -- it provides them
 18 those allowances plus a business allowance. And
 19 the business allowance is also slightly higher
 20 than what we have provided in the past. So all
 21 of that came in.
 22 There's also an SEP in there, something
 23 called a supplemental employee plan or something.
 24 And that's specifically for individuals -- the
 25 way it's designed in there, it's for individuals

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1 who are in the design contribution plan. And so
 2 it's a benefits -- there's -- there's nothing.
 3 There's not a plan document associated with that.
 4 And these were -- all these were put in the
 5 agreement and handed to us to administer.
 6 MS. HARRELL: I don't think I have anything
 7 else.
 8 But, Adina, do you have anything?
 9 MS. TEODORESCU: No.
 10 MS. HARRELL: All right. As I told you
 11 earlier -- we've kept you here longer than we
 12 intended to. I apologize for that.
 13 But this has all been in the course and scope
 14 of our assignment from the board to determine
 15 whether there's cause to terminate Mr. Zahn's
 16 contract for cause.
 17 And so, as you think back, has anything
 18 triggered your memory about -- is there anything
 19 else that you think is important for us to know
 20 and for the board to know?
 21 THE WITNESS: I think we talked about the
 22 agreements. The agreements, I think they're a
 23 little bit -- they were a little bit unusual in
 24 terms of what was provided. They would -- I
 25 don't know who had input on it normally. When


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1 Angie worked here, she -- her stance was -- she
 2 said the entire time she worked here that no one
 3 other than the CEO is allowed to have a contract.
 4 She stated that for the entire time that she
 5 worked with Aaron. And that was from April 2018
 6 until April of 2019.
 7 So she consistently would provide him
 8 feedback on what was not appropriate or just was
 9 not, you know, procedure. And it's just very
 10 interesting that as soon as she's gone, you know,
 11 everybody has agreements, and those agreements
 12 are above and beyond what is typically provided.
 13 There have been past agreements, so I -- I
 14 mean, I have to be forthright about that. There
 15 have been past agreements prior to 2012, and
 16 there's historically been agreements. And those
 17 agreements were all over the board. There's --
 18 some people have longer severance.
 19 So I don't know if -- you know, Angie would
 20 have to answer that. I don't know if she was
 21 given a directive or got clarification while she
 22 was employed. But we operated under the
 23 understanding that agreements were not available,
 24 and we've operated that severance could only, you
 25 know, be a certain amount of time, things like

1 that. I mean, sometimes we even questioned
 2 whether severance was something that we could
 3 provide.
 4 So -- so the agreements were a little
 5 strange.
 6 THE COURT REPORTER: I'm sorry?
 7 MS. HARRELL: The agreements were a little
 8 strange.
 9 Is there anything else you could think of
 10 that would help us?
 11 THE WITNESS: Huh-uh, no. I don't know of
 12 anything else.
 13 MS. HARRELL: Well, Mr. Linsner has some
 14 closing remarks, and then we will adjourn.
 15 Again, I apologize for delays.
 16 MR. LINSNER: Do you have anything additional
 17 to offer or add?
 18 THE WITNESS: No.
 19 MR. LINSNER: No? Then just be advised that,
 20 since this is an ongoing General Counsel
 21 investigation, please don't discuss the case with
 22 others.
 23 And the interview has now concluded at
 24 5:10 p.m.
 25 (Whereupon, the interview was concluded at

1 5:10 p.m.)
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1 C E R T I F I C A T E
 2 STATE OF FLORIDA)
 3 COUNTY OF DUVAL)
 4 I, Suzanne R. Robinson, Registered
 5 Professional Reporter, certify that I was authorized
 6 to and did stenographically report the foregoing
 7 proceedings and that the transcript is a true and
 8 complete record of my stenographic notes.
 9 I further certify that I am not a relative,
 10 employee, attorney or counsel of any of the parties,
 11 nor am I a relative or employee of any of the
 12 parties' attorneys or counsel connected with the
 13 action, nor am I financially interested in the
 14 action.
 15 Dated this 3rd day of February, 2020.
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 Suzanne R. Robinson, Registered
 Professional Reporter