IN RE: JON KENDRICK-TERMINATION OF EMPLOYMENT AGREEMENT WITH JEA

SWORN STATEMENT
OF
JON KENDRICK

DATE TAKEN: Monday, June 29, 2020
TIME: 9:03 a.m. - 3:51 p.m.
PLACE: 50 North Laura Street
41st Floor
Jacksonville, Florida

REPORTED BY: Heather M. Thomas,
Court Reporter

APPEARANCES FOR THE CITY OF JACKSONVILLE:
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ALAN ROSNER (Appearing telephonically)

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WITNESS: JON KENDRICK

EXHIBITS
MARKED FOR IDENTIFICATION:

JON KENDRICK,
having been produced and first duly sworn as a witness, testified as follows:
THE WITNESS: I do.
EXAMINATION
BY MR. WEDEKIND:
Q Will you please state your name and address for the record?
A Jonathan A. Kendrick. I go by Jon. 2716 Admiral Walk Drive, Orange Park, Florida, 32073.
Q And, Mr. Kendrick, you understand that you are -- you're currently on --
(Brief interruption.)
BY MR. WEDEKIND:
Q You understand that you are currently on administrative leave from JEA?
A Yes.
Q And that you've been given notice of your termination without cause?
A Yes.
Q And that this interview is being conducted by the OGC to determine whether or not cause exists to support a termination for cause?
A Yes.
Q Okay. In connection with that, you were

provided a Garrity warning and statement of rights; correct?
A Correct.
Q And you've had the opportunity to review that with your attorney?
A Yes.
Q And Mr. McElroy signed this Garrity rights statement on June 28th, and right before we began here, you and I both executed the form; correct?
A Correct.
Q Okay. And you don't have any questions about any issues surrounding the Garrity issues?
A No.
Q Okay. All right. Could you please -- well, hang on. Before I start, I wanted to just walk through a few of the ground rules for today.
If you could please listen and make sure that you understand my questions, and if you don't either hear me or understand what I'm trying to ask you, please either ask me to repeat them or restate them. I'll be happy to do that.
This interview today is being conducted in connection with an investigation, as we mentioned earlier. We are not operating under the Rules of Civil Procedure. So although it looks a lot like a

deposition, it's not one.
You have two attorneys here representing you; one in person and one on the phone, but they don't really have the opportunity to object to my questions even though they might really want to. If either of your attorneys is concerned about the clarity of the question that I'm asking, if there's some confusion, then I would ask them, just for the clarity of the record, to alert me to that and I'll try my best to rephrase my questions.
Okay?
A Okay.
Q Okay. Also, because this is not a deposition, I just want to make sure that you understand what JEA's expectations are in connection with your answers. So, typically, in a deposition, a witness would be instructed to answer only the questions being asked and not to elaborate any further. This isn't a deposition so those rules don't apply.
So I wanted to just go ahead and set expectations early on and just let you know that JEA expects you to provide complete and truthful answers to all of my questions. And what I mean by that is that if my questions are inartful but you understand the information that I'm looking for, I want you to provide

that information, despite the deficiencies in my questions.
A Understood.
Q Okay. And to the extent that there is any information that's relevant to any of the topics that we talk about today, I would ask that you provide it to us.
A (Nods head.)
Q Okay?
A Yes.
Q Another one of the ground rules is, please make sure that you answer orally, yes or no. The court reporter has a hard time taking down head nods and nonverbal communication. So if you could help us with that.
The only other thing I would ask is that you be careful, and I'll do the same, not to talk over one another. So if you would let me finish my question before you begin your answer. I will let you complete your answer before I ask my next question. And that will make our court reporter's job a little bit easier.
It's going to be hard because I talk kind of fast. So I will try to slow down a little bit, and that way we have a clean record of everything that's said today.
Okay?

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A I understand.
Q All right.
(Discussion off the record.)
BY MR. WEDEKIND:
Q All right. Before I start asking questions, I want to give you the opportunity to offer anything that you -- that you want to say. So if you have anything that you'd like to offer, I just wanted to give you a chance to do that now, before I start asking my questions.
A Oh, I hadn't anticipated that.
No, I'll just respond as the questions come up, and if there's anything I need to say -- I would like to meet everyone at the table. I certainly know some of the attorneys.
Q So my name is Lee Wedekind. I'm a partner at Nelson Mullins. This is my law partner, Dan Nunn.
Sean Granat and Adina Teodorescu from Office of General Counsel. And this is Kevin Blodgett. He works for Smith Hulsey, and they are counsel for the City Council's special investigation committee.
A Okay. Thank you.
Q And then we also have your attorney, Alan Rosner, on the telephone. We also have Ariel Cook from the Office of General Counsel who's also appearing.

Is there anybody else on the phone that I missed?
MR. ROSNER: Lee?
MR. WEDEKIND: Yes.
MR. ROSNER: I dropped you for a second, but one thing I wanted to be sure that we all understand is that Mr. Kendrick -- he's giving his statements under duress in an attempt that, if he fails to cooperate with the investigation, fails to answer the questions, his employment -- he would be fired with cause and, therefore, he faces a severe sanction as a result of him not cooperating or not answering the questions.
So just to be clear and to highlight what I understand of the Garrity warning, is that Mr. Kendrick is being required to answer these questions, and he's doing so under duress and under the threat of termination with cause.
MR. WEDEKIND: I would agree with everything except that I don't think he's under duress right now. I think that he is here, and if he failed to cooperate, then he would be terminated for cause, and so there is that sanction that would be -- that he would be subject to for failure to cooperate. But this -- we're just sitting around a table right

now. So other than your comment about duress, I get it.
MR. ROSNER: I understand he's not being threatened --
(Call dropped.)
BY MR. WEDEKIND:
Q All right. Before you came today, did you have the opportunity to re-read your -- the transcript of your interview from your last investigation interview?
A I did.
Q Okay. Did you see anything in that transcript that you would like to change or that you now realize was either a mistake or misleading or something else like that?
A No.
Q Okay. So you stand by all the testimony from your prior interview?
A Yes.
Q Okay. Could you please give me the numbers of all of the cell phones that you've used over the last two years?
A I have two cell phones; one I devoted to JEA business and I can't remember it, 904 -- hang on a second. 904 -- I forget where I look that up.

(Discussion off the record.)
THE WITNESS: Oh, there it is. Okay. I'm sorry. (904) 466-8517. And then my personal cell is (904) 524-4054.
BY MR. WEDEKIND:
Q Okay. Did you ever use your personal cell for any JEA-related business?
A No.
Q Even by accident or mistake, receive a text to the wrong number?
A I did receive texts because when -- I was employed by JEA before, and Ted Hobson had that number and he texted me a couple times on that number.
Q Other than that, though?
A No, no.
Q Can you please speak up just a little bit?
A Yeah, I'm sorry. I will.
Q Okay. Same question for email addresses over the last two years.
A My JEA email was K-E-N-D-J-A @JEA.com. I have two personal email addresses: Jon -- J-O-N -- .kendrick@yahoo.com, and pastorjonkendrick -- all one word -- @gmail.com.
Q Did you ever use your personal email addresses for JEA-related work?

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A No.
Q Even by accident?
A No.
Q Okay.
A Well, let me -- I probably emailed some things to my personal email that were personal in nature, like something maybe around my pension contributions or something like that.
Q Okay. All right. You mentioned that you had the opportunity to re-read your interview transcript. What else did you do to prepare for today's interview?
A I discussed with my attorney just some of the questions that might come up.
MR. MCLAUCHLIN: Okay. It's attorney-client privilege what we discussed, but --
THE WITNESS: Right. Yeah, but in preparation. I looked at -- tried to rebuild a timeline in my mind of when things happened, but that was the extent of it. I didn't read any other testimony. I didn't want to cloud my memory by reading other testimony, so ...
BY MR. WEDEKIND:
Q Did you go back and look at any -- any documents other than the interview transcript?
A No.

Q Did you speak with anybody else other than your attorneys?
A No.
Q So you didn't reach out to any of the other members of the SLT?
A No.
Q And you know what I mean when I refer to the SLT --
A I do.
Q Okay. All right. Anything else other than reviewing your interview and kind of developing the timeline in your mind and conferring with your attorneys?
A No.
Q How much time did you spend preparing for today's interview, approximately?
A Not counting meetings with my attorney, probably -- I read through the transcript a couple of times. So maybe a couple of hours, total, in going through that, kind of thinking through the timeline and anticipating questions.
Q When did you first start work at JEA, this most recent time?
A Yeah, April 29th, 2019.
Q All right. And just so the record's clear,

you had previously worked for JEA?
A I had.
Q But this time as the CHRO; correct?
A Correct.
Q Okay. And, before, you were not the CHRO?
A I was not.
Q Okay. All right. Could you please walk us through your recruitment to that position as the CHRO; what happened, who you talked with?
A Sure.
I believe it was initially a text from Angie Hiers, who was my predecessor, who said Melissa Dykes wanted to talk to me; that Angie was retiring. Then I received a text from Melissa -- or a LinkedIn message and gave her my number and we talked, and she asked me if I would be interested in coming onboard as the interim. Angie was retiring. They wanted to get someone in fairly quickly.
So we arranged a time to meet. I went in; probably spent an hour or so with Melissa. I had not really dealt with Melissa in my time at JEA before. I had met her but I hadn't worked directly with her. So we had an interview. A day or so passed. She called and offered me to come onboard as interim CHRO.
Q So other than that one meeting with Melissa,

did you meet with or talk with anybody else at JEA?
A I did talk with Angie. After I spoke with Melissa, I went in and spent some time with Angie, just more informally. It wasn't an interview.
Q But you met with Ms. Hiers in person?
A Yes. Yes.
Q Anybody else other than Ms. Dykes and Ms. Hiers?
A No.
Q All right. What did you and Ms. Dykes talk about during your meeting?
A I don't remember specifics. Just my experience in HR. I think the fact that they wanted someone in fairly quickly and the fact that I had familiarity with JEA, having been there before, would help.
Certainly I knew the HR team. All but one had been there, but the direct reports had been there when I was there before. So I think she felt that would certainly help bridge the gap as I came onboard. But it was a typical interview. Other than that, no specifics I recall.
Q Was there ever any discussion about a plan to sell JEA as --
A No.

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Q -- part of your onboarding process?
A I'm sorry. No.
Q How about a plan to develop a long-term incentive plan?
A No.
Q That was never discussed as part of your onboarding?
A No.
Q Okay. When did you first learn about JEA's plans to consider privatization?
A There was -- I'll elaborate a little bit. There was a presentation done about the state of utilities in general and the fact that JEA probably had to make some changes, and that was already developed and being presented to various business groups, trying to get it out to all employees.
It didn't mention privatization or recapitalization. It just talked about the fact that utilities were going to encounter some challenges and we may need to meet those challenges. So it was probably -- probably in July when the various scenarios were broached, including what you referred to as privatization, selling JEA; various scenarios about what the future of the enterprise would look like.
I think those were first mentioned, it could

have been late June but probably more likely in early July.
Q So the first presentation that you talked about, is that what's commonly known as the frog presentation?
A Yes. Yes, it is.
Q Okay. So the first time that you ever heard about any concerns about the future of strategic planning or potential privatization was as part of the frog presentation?
A Yes. Angie had told me there had been some work done. She called it status quo, about where the utility was and where it could be and, you know, different things they were considering. And I guess some of that work was done with McKinsey, the consultants. So I knew that had been done at that point, but it was just legwork to get us to that point.
Q Okay. So you start on April 29th.
Can you please describe what your specific job duties and responsibilities were as the CHRO of JEA?
A Certainly. Eight direct reports; three of those were individual contributors, human resource business partners, that faced off to the various business lines to deal with their HR needs. The five that had departments were employee services, and that

was Pat Maillis. That includes compensation benefits, recruiting.
Robb Mack, his department is called organizational excellence. It's an HRIS department. It's the IT part of HR, as well as payroll, and they ran our systems including Performance Management.
Blake Osner was head of learning and development a/k/a the JEA Academy. It was all of our training, including technical training, soft skills training, things like that. New hire orientation.
Who's next? Maryanne Evans, director of labor relations, dealing with our five bargaining units. And safety. And we did not have a safety -- safety and health. Did not have a safety director when I came. The recruiting had been done, and I ended up handling the offer process when Mark Patterson came onboard there, but director of -- or safety and health.
So my duties encompassed overseeing those departments; everything related to human resources, labor, safety and health, getting people paid, getting them hired, getting them retired effectively. I obviously worked with the City of Jacksonville Pension Board and whatnot for those things. So the whole gamut of human resources services.
Q How much of your time was spent dealing with

what I would consider to be HR-related tasks versus labor-related tasks? Do you understand the distinction that I'm trying to make?
A No, actually, I don't.
Q Okay. So --
A No.
Q -- in dealing with the unions instead of --
A Okay.
Q -- more typical HR-type stuff.
A It varied. It was very heavily tilted towards the unions fairly early on because we had contract negotiations in August. The recapitalization, the various scenarios played a huge role in that because we had to negotiate a lot of that because of the fact of employee compensation and pension benefits.
So in August, September, heavily tilted. I don't know the percentage. Maybe 60, 70 percent, somewhere in that range towards labor. On a routine basis, probably 15 percent as employee investigations went on, grievances were filed. Various things came up that we might take to bargaining. So it varies depending on what's going on at the time.
Q And so you had eight direct reports, and you reported up to Ms. Dykes?
A Correct.

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Q Okay. And then she reported to Mr. Zahn?
A Correct.
Q Did you have any dotted lines to anybody?
A No.
Q All right. What was your role with respect to the long-term strategic planning that JEA undertook in 2019?
A I worked -- McKinsey met with us a few times; met with me and some of my direct reports to talk through HR in general. So we contributed to those conversations.
It's a broad question. So I guess as part of the status quo -- and Angie had already done some of this work. If we -- there are kind of, I guess, two levers you can push; you know, the rates you charge or the cost you incur.
And so for HR cost is employees, so we looked at possibilities of layoffs should we continue with the status quo. So that was some of the work that really had been done before I got there and continued on.
As we worked through the five options and those were presented to the board and we were told to go forth and explore, there became a lot of just groundwork and then due diligence to provide. And I'm really probably getting ahead as it gets into the ITN, but

providing a lot of background documentation and -- so that probably wasn't strategic.
Strategic planning was more working with McKinsey about where we were, where we could be, what initiatives could we undertake that might cut costs, simplify operations, things like that.
Q When you talked about the layoffs, or I guess the RIFs, right, that you were focused on as part of the status quo planning, was that part of the status quo too?
A I believe so, yes.
Q All right. And then what role did you play with respect to the long-term incentive plan, or PUP?
A Another broad question. When I came onboard, Pat Maillis -- I met with all of my direct reports that first week, and she mentioned there was a compensation project underway; that she had been working with Aaron -- Angie had been working with Aaron on it.
And the main thrust of it was, I guess back in January of 2019, the board had updated the compensation statement or policy in their documents. And JEA had commissioned Willis Towers Watson, a compensation consulting company -- broader than just compensation but specializing in that -- to look at where we were in terms of our salaries, and I guess also to look at

incentive plans, both short term and long term, and make recommendations.
The recommendation, and what the board adopted, was to be at about 50th percent of the market in Jacksonville for our salaries. So that -- I came in midstream. A lot of that had already been talked about. A long-term incentive had been talked about in general terms and was part of their presentation.
So Pat and I met with Aaron, with Willis Towers Watson's presentation, sometime in May. He was not happy with it. He felt that we didn't get exactly what we were asking for. And I guess the board philosophy -- and I can't remember -- it's a chicken or egg thing. I don't remember if Willis Towers recommended 50 percent or we defined that. I think they recommended it. That was before my time. So the board said, let's be at 50 percent of market.
So their recommendation was to do that incrementally, and I think Aaron's approach was more rip the Band-Aid off; if we're supposed to be at 50 percent, let's be at 50 percent. And that was for -- it basically affected appointed employees below the senior executive level, below the SLT, because I don't think he was going to make any alterations there.
And our union contracts very clearly define

what we pay them. So you couldn't make immediate alterations there. You probably could at the next round of bargaining, which was coming up.
So he felt they were moving too incrementally in their approach, and so we went back to Willis Towers and they came back with a revised presentation. And so we -- and we being me, Aaron, Ryan Wannemacher, Herschel Vinyard, met with the board's compensation committee in June, probably mid-June -- excuse me for a minute -- and presented the Willis Towers Watson plan. I think the board had -- perhaps back in the January meeting had said, come back to us with a plan. So this was the fulfillment of that.
So came back with a presentation. I presented the part that said, we want to be at market, here's what 50th percentile looks like, here's some things we might do to get there, and then turned it over to Ryan -- no, I'm sorry. I don't think Ryan spoke. I think Aaron spoke to a long-term incentive.
Scott Strackbine was there as well, who's a compensation analyst for JEA. Pat was not there. I believe she was out of town or she would've been there. So Scott came in her place.
And then Aaron spoke to a long-term incentive very broadly, as I recall, just saying Willis Towers

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Watson says they don't see a lot of that in public utilities, obviously, but here's how they would put it together. And that was part of the presentation. It talked about a performance unit and also a time-based plan.

The time plan was more about projects and rewarding people who worked on the projects. So we weren't really looking at that. We were looking at the performance unit. And they didn't necessarily design the plan. They just said, here's what it might look like.

And, to me, that kind of mirrored equity plans you might see in private industry where you provide an opportunity to buy into the company. These obviously weren't stocks. It's a government entity, but a performance unit is, as I understand it, kind of a similar approach.

So that's all the initial involvement. The compensation committee approved moving forward. So at the July board meeting, which was a very intense board meeting -- a lot of stuff covered there, and it almost seemed like the compensation was an afterthought. It was toward the end of three or four hours we spent. But I presented the Willis Towers Watson data; mentioned the long-term incentive and turned it over to Ryan.

Ryan talked about how that would be quantified, I guess, looking at the metrics he had developed or his team had developed. And I'm sure there were questions. I don't remember. I know there were questions in the committee meeting that we answered, and they approved moving forward with developing a plan.

And do you want me to continue past that?

Q No, because I could spend three hours unpacking everything you just said, which we're about to do.

A Okay. I figured.

Q Okay. So I want to make sure that I'm clear about a couple of things. I was trying to take notes. That was a very in-depth answer, which I appreciate, but I just want to make sure that I understand.

So Willis Towers Watson had said a couple of things; that they don't see a lot of these performance unit plans within the municipal utility sector; correct?

A Correct.

Q And so was it Willis Towers -- did Willis Towers Watson ever recommend that JEA pursue a long-term incentive plan or did they say not to? They didn't recommend to pursue --

A I don't know that they said one way or the other. I think they laid out what it could look like.

I don't know that they made a recommendation. I don't recall.

Q I thought I heard you say at some point that the long-term incentive was only supposed to affect appointed employees?

A No. No, no. I'm sorry.

Q Okay.

A Getting to 50th percent of market in base salaries, the impact -- the greatest impact would have been for appointed because our union employees, which is 70-something percent of JEA employees, are covered by the collective bargaining agreements and those are in place. I mean, you can't do a lot of changing of those in the interim. You'd have to go back to the table. So we could address them at contract time every three years, which was coming up. It was last summer, summer of 2019.

And as I understood it, Aaron wasn't going to change any SLT salaries either. That wasn't part of this. So the primary impact of trying to get to the 50th percent of market in base salaries was for the appointed, not the long-term incentive plan.

Q Okay. So the concept behind the long-term incentive plan was, as a component, to get the total compensation of a certain number of employees to this

recommended 50 percent median number; correct?

A No. I don't think that's correct.

Q Okay.

A I think the aim of the long-term incentive plan was to keep employees focused on performance so that there was kind of like a carrot out there -- you know, the long-term plan was designed as a three-year thing that would, you know, go every three years. It's usually a retention tool. That's not necessarily as important at JEA because people come in, they get vested in the pension and want to stay and retire.

So the retention probably wasn't as critical, but that's part of why you have a plan like that, and to keep people focused on performance. So if they get the company's numbers up, the value of their performance units go up as well.

Q And the concept that was presented by Willis Towers Watson was that the value of these PUPs would depend on the performance of JEA as an enterprise and not the individuals' work performance; correct?

A Correct. That was addressed in the short-term incentive plan. That's based -- that's based on two things; company performance for the year, not a long-term thing, as well as individual performance.

Q Okay. Was it right that Willis Towers Watson

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referred to these types of plans within the public utility space as rare?

A Yes.

Q That was the word that they used?

A I believe that that was the first word, I think.

Q What were the other words that they used?

A Selectively used.

Q Okay. That was Willis Towers Watson's term?

A I'm pretty sure it was. I think they made that change.

Q We'll get into that.

You had mentioned that you made part of the presentation to the comp committee in June 2019?

A Correct.

Q And you said that there was a number of questions that were asked. Those committee meetings are not publicly available by video like regular board meetings are. So I'd like to understand what questions were asked and what the answers to those questions were, as best you recall.

A Yeah. Oh, golly.

I remember Alan Howard asked something; a very general question about long term, how do you devise those plans. And I -- I said, we work with finance.

You know, obviously we establish metrics and then we would implement in human resources. And then Aaron kind of took over and answered other questions, and I'm trying to remember what they were.

I'm sure the minutes are available. I know it's not on video, but it's a publicly noticed meeting. I just don't remember the questions.

Didn't seem to be many about the 50th percentile. I think the board understood that's what we were aiming for. And I don't think there were any about short-term incentive, because that had been well established at JEA, although we were looking at perhaps increasing the ranges there.

I'm sorry, I just don't remember -- I remember Alan Howard asking something very general.

Q What is your -- did you know of Willis Towers Watson before you got to know them through the JEA process?

A I knew of them, yes.

Q So what's your opinion of Willis Towers Watson in the compensation consultant space?

A Very highly respected.

Q Never heard any criticisms of them as compensation consultants?

A From their competitors, maybe, but no, not

that I recall.

Q And Mr. Zahn, too, apparently, had some criticisms?

A Well, yeah.

Q Could you walk me through what Mr. Zahn's criticisms were of Willis Towers Watson's opinions?

A Again, I apologize because I was fairly new and drinking from a fire hose at the time, is the phrase, I guess. But he felt we had asked for some very specific recommendations about getting to the 50th percentile and providing some data, I believe. And he felt they weren't being as forthcoming in providing some -- I think as well as providing those recommendations.

It wasn't necessarily about the long-term plan or the short-term incentive. It was more about getting to the 50th percentile in the market and their recommendations around that.

Q And that 50 percent number is total compensation?

A No. It was base salary.

Q Base salary?

A Base salary.

Q So the long-term and short-term incentives are outside of the 50 percent?

A As I recall.

Q Different issues?

A Correct.

Q Okay. All right. A pretty basic question. Can you explain to me the difference between what has been referred to as the long-term incentive plan and the PUP?

A Very basic answer. They're the same. I think before we defined it as the PUP, it was just referred to as an LTIP. It's a common acronym in HR, the long-term incentive plan. So the idea originally was, what will that look like, and what it looked like was the PUP. So a long-term incentive plan became the PUP, the performance unit plan.

Q So really the only difference is a matter of time?

A Correct.

Q And maybe that the LTIP is a more general term, and the PUP addresses a very specific plan that JEA ultimately was in the process of developing and implementing?

A Yes, I'd agree with that.

Q All right. Could you describe the PUP in your own words?

A It was a plan designed to allow employees to participate in JEA's success. It wasn't considered compensation because they had to buy a share, like an equity program in a private industry. But if the company performed, it would allow them to benefit from that.

Their share would be worth more, theoretically, at the end of the three-year term if the company -- or the organization met its goals as defined by finance, defined by what those metrics were. Kind of very rudimentary but that's the idea of the plan.

Q So the finance department would set the goals that the PUP would have to achieve in order for the unit holders to receive a payout?

A Right. They would set the metrics that we would measure at the end of that three-year period.

Q Whose idea was the PUP?

A I honestly don't know. I think probably Aaron directed it. I don't know if he asked Willis Towers Watson to look at it, or they just considered it as part of their recommendation, because that happened before -- well, I'm going back to the long-term incentive.

The PUP itself was based on Willis Towers Watson's notes in their presentation of what a performance unit plan would look like, and then I guess further developed by Aaron and Ryan Wannemacher.

Q Was it a deferred compensation plan or an incentive bonus plan?

A I'd call it neither because it wasn't compensation. It was -- and those were some of Pat's concerns, are we treating this like deferred compensation, and she was definitely the comp expert at JEA, so she had some questions about it.

But, to me, it was more outside of both of those -- and I am not an expert. I'm more of a generalist in HR -- but more outside of those, allowing employees to participate in kind of an extra -- and I don't even know what the word is -- outside of compensation plan to allow them to, you know, participate in the long-term success.

Q What were Pat Maillis's questions and concerns about the PUP?

A Making sure it complied with IRS rules; was it, in a sense, deferred compensation, getting clarity on that; and just some of the density of the language in the documents that were provided to us by Pillsbury. And no offense to the attorneys in the room, but they were very legalese, and supposedly that's what we're going to send to our employees. So we had some concerns about that as well, simplifying the information we would provide to them about it.

Q So the documents that you received from Pillsbury were so complicated that the employees wouldn't understand it?

A It would be difficult to understand. They were difficult for me to understand.

Q Okay. What was Ms. Maillis's questions or concerns about the IRS rules? Do you remember that?

A I don't, no.

Q How about -- was the question ever answered of what to do about the IRS?

A I don't recall seeing an answer. I do believe the attorneys -- and by that, Lynne Rhode and Pillsbury -- were looking into that. I know Pillsbury had experts, supposedly, in compensation and benefits and -- as well as governing what the IRS regulations said. So they were vetting them and working through it, as I understood.

Q Would it surprise you to learn that on December 23rd, 2019, Herschel Vinyard was still asking Kevin Hyde what the IRS letter ruling might possibly look like?

A December 23rd?

Q Correct.

A That would surprise me.

Q Why?

A The PUP was over. I think that's -- the board met somewhere in that time frame. It canceled -- we suspended it in November, but the board canceled it at the December board meeting.

Q At least as of December 23rd, 2019, nobody at JEA knew whether or not the IRS was going to approve the PUP plan?

A Okay.

Q Okay. Can you describe the difference between a generic deferred comp plan and a generic bonus plan?

(Discussion off the record.)

THE WITNESS: I don't know that I can, because, again, I don't have a compensation background. Every HR person who's a generalist who rises up dabbles in it, participates in surveys, and recommends salaries and things like that, but not to the extent of those specialized plans. And I'm sorry, I just --

BY MR. WEDEKIND:

Q Would you rely on Pat Maillis for that type of information in your job as the CHRO?

A I would.

Q Okay. So she would be the compensation guru at JEA?

A Yes.

Electronically signed by Heather Thomas (401-385-656-8432)

Q Okay. And she would be the one that would be expected to shepherd the PUP through the whole process?
A Once we understood what Pillsbury was giving us, and we had to implement it, she would be the primary one, along with our payroll department, to do the nuts and bolts of it.
Q Is it possible for a deferred compensation plan to include a situation where the deferred compensation decreases in value?
A If it's based on equity or metrics like that that go down, yes, it could. That's always a risk.
Q Do you know whether deferred comp plans and bonus plans are treated differently for tax purposes?
A I believe they are, but I don't know. I couldn't --
Q You believe they are, but you don't know much beyond that?
A That's right.
Q Okay. Do you know whether there are different sections in the Florida statutes that govern each of those different types of plans?
A I don't know.
Q I will tell you that Florida Statute Section 215.425 governs bonuses and that Chapter 112 governs deferred comp plans.

A Okay.
Q I saw in your hard copy files that you had printed out 215.425. Yes?
A Apparently so, yes.
Q Okay. Did you ever review that statute in connection with your work?
A I must have.
Q Do you remember anything specific about it?
A I don't.
Q All right.
A Which one did you say that governs? I'm sorry.
Q Bonus plans.
A Bonus plans.
Q And I'll show it to you in a second.
A Okay.
Q In any of your presentations to the board, do you ever remember describing the PUP as a deferred comp plan?
A I don't remember saying that.
Q Because I think you said earlier that, in your opinion, it really was neither a deferred comp plan nor a bonus plan or something --
A More of a benefit.
Q More of a benefit?

A Right.
MR. WEDEKIND: Okay. All right. Let's take a quick break.
(Recess taken from 9:46 a.m. to 9:52 a.m.)
(Exhibit Numbers 1, 2, and 3 were marked for identification.)
BY MR. WEDEKIND:
Q Mr. Kendrick, I am going to hand you three exhibits. Exhibit Number 1 is Resolution 2019-10. I'll tell you that's the PUP resolution approved by the JEA board. Exhibit Number 2 is an excerpt from the Florida statutes. The statute section's 112.215. And then 3 is the compensation statute that we talked about earlier. It's 215.425.
As we're looking at Exhibit 1, if you go down -- on the first page, the first paragraph, it says, "Be it resolved, by the Board that: The chief executive officer and managing director, the CEO, or his designee shall have the authority to implement a long-term performance unit plan, the long-term performance unit plans, on the terms and conditions set forth on the long-term performance plan summary."
Do you see that?
A Uh-huh.
Q Do you agree that that is the PUP?

A Yes.
Q If you go to the second page, Paragraph Number 4 simply says, "This resolution shall be effective immediately upon its adoption."
Do you see that?
A I do.
Q Okay. And so is it your understanding that the PUP became effective on July 23rd, 2019?
A Permission to create -- or not create, but develop the PUP. I don't think it was fully developed at that point, but this gave us the authority to proceed.
Q Okay. So this resolution gives the CEO the authority to proceed on the terms and conditions set forth in the summary; correct?
A Correct.
Q Okay. If you go to -- the pages aren't numbered in the summary, but if you flip to the third page of Exhibit 1, at the very bottom it says, "Conditions to Receipt."
Do you see that box?
A I do.
Q Okay. And that box says, "An eligible employee will receive the cash payment in respect of his performance units if" -- and there's certain conditions.

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I want to jump down to Number V. And V, "The conditions in Section 215.425, Sub 3, Florida Statutes are satisfied."
Do you see that?
A I do.
Q Okay. So is it your understanding that this resolution gave the CEO the authority to implement a long-term performance unit plan provided that it complied with the conditions in Section 215.425, Sub 3?
A Yes.
Q Is there anywhere in the plan summary that's attached as Exhibit 1 that mentions Chapter 112 of the Florida statutes?
A I don't see a reference to that.
Q If you go to the last box in the summary, it's stated as Miscellaneous. Do you see that?
A I do.
Q The very last paragraph in that box on the right says, "If any payments under the plan or an agreement to an eligible employee are subject to an excise -- any excise tax, interest, or penalties under the Code, the penalties, JEA will pay to such employee an amount equal to the full amount of the penalties."
Do you see that?
A I do.

Q Okay. What did you understand that provision to mean?
A I -- I didn't, honestly. And I know this will sound odd, but I wasn't as engaged in this at this point. I'd honestly forgotten it was this detailed because I haven't viewed it since way back.
My focus at this point was really on what would happen to employees with the recapitalization and pension reform and all the upcoming negotiations. So I honestly didn't pay as much attention to this. So I don't know what that means, and I didn't know at the time. I didn't.
Q So if JEA is agreeing to pay an employee's tax liability for everybody in the PUP, and the PUP turned out to include payouts in the hundreds of millions of dollars, then that would mean, potentially, that JEA could incur tax liabilities of a substantial amount?
A Right.
Q Do you know whether or not that potential future liability was ever discussed in any of the board meetings relating to the PUP?
A Not that I recall, no.
Q Who would you think should have been the member of the SLT to point out that potential tax liability to the board?

A My guess would be the CFO, Ryan Wannemacher; potentially Lynne Rhode, the chief legal officer, just based on input from Pillsbury perhaps.
Q Would you consider that to be a material fact that the board should have been aware of in its deliberations regarding the PUP?
A Yes.
(Discussion off the record.)
BY MR. WEDEKIND:
Q All right. Let's turn to Exhibit 2, which is Florida Statute Section 112.215. If you go to the second page of the exhibit, this talks about deferred compensation plans.
And I would ask you to look at, first, Section 6(b), which states that "No deferred compensation plan of a county, municipality, other political subdivision or constitutional county officer shall become effective until the appropriate official or body designated under Subsection 5 is satisfied by opinion from such federal agency or agencies as may be deemed necessary that the compensation deferred thereunder and/or the investment products purchased pursuant to the plan will not be included in the employee's taxable income under federal or state law until it is actually received by such employee under the terms of the plan, and that such

compensation will nonetheless be deemed compensation at the time of deferral for the purposes of Social Security coverage, for the purposes of the retirement system of the appropriate county, municipality, political subdivision, or constitutional county officer, and for any other retirement, pension, or benefit program established by law."
Do you see that?
A I do.
Q Okay. And then if you go back to Subsection 5, about three quarters of the way down it says, "The ordinance shall also designate a public official or body to make the determinations provided for in Paragraph" --
A I'm sorry, where are you?
Q I'm sorry. If you go back to Sub 5.
A Right. About three quarters of the way in that paragraph?
Q Correct.
A Okay.
Q There's a sentence that says, "The ordinance shall also designate a public official or body to make the determinations provided for in Paragraph 6(b).
A Understood.
Q Okay. So the way that I read this is -- and as close to layman's terms as I can put it because this

is somewhat dense -- that no deferred compensation plan shall become effective until a designated public official has determined that the investment products purchased by it will not be included in the employee's taxable income under federal or state law.
A Understood.
Q Did that ever happen in connection with the PUP?
A I don't know.
Q Would you agree that if the PUP were a deferred compensation plan -- and I understand you said that you didn't think it was --
A Right.
Q -- but some people have thought that it was.
A Understood.
Q So if you think it's a deferred compensation plan, it still wouldn't be effective until all the conditions of this section had been met?
A I would agree.
Q Okay. If you go down to Section 9, which is on the following page, it says, "The purchase of any insurance contract or annuity or the investment in another investment option under any plan of deferred compensation provided for in the United States Internal Revenue Code and not prohibited under the laws of this

state for an employee shall impose no liability or responsibility whatsoever on the state, county, municipality, other political subdivision, or constitutional county officer, except to show that the payments had been remitted for the purposes for which the compensation has been deferred."
Do you see that?
A I do.
Q Do you agree that that subsection would prohibit the PUP's indemnification of its employees' tax liability?
A Yes. I would interpret it as a deferred compensation.
Q Okay. So even if it were a deferred compensation plan, even if they had gotten the approvals that they didn't get, then the indemnification component of the PUP would still be illegal under Florida law?
A It sounds like it, yeah.
Q So I'm going to invite your attention now to Exhibit Number 3 which is going back to Florida Statute Section 215.425. This, I'll tell you, was taken from your hard copy files. And so -- and I think we talked earlier you don't remember printing this out.
A I don't.
Q Okay. Subsection 3, which was referenced in

the PUP summary, talks about the requirements of a particular bonus. If a public subdivision is going to implement a bonus scheme, it has to meet a handful of requirements, and that's what the PUP identifies, which we've already talked about.
A Right.
Q Do you see that?
A Uh-huh.
Q Okay. Yes?
A Yes. I'm sorry.
Q All right. Do you know whether or not the PUP satisfied each of the four requirements under 215.425, Sub 3?
A Sub A under Sub 3, based on work performance, it was based on the overall organizational performance. So not an individual performance. So if that's the interpretation, no.
And I think I printed this because of the -- in -- what is it -- 4(1), a requirement for severance pay. I printed it to see what the severance was.
Do you know what date I printed it by any chance?
Q I do. I was just about to tell you. If you look at the bottom right-hand corner, it says January 14th, 2020.

A Right. That's why I printed it. At the time, the SLT employment contracts were under question, and I wanted to see what it said in the state ordinance about severance.
Q And what was your conclusion?
A They could not exceed 20 weeks.
Q Do the employment agreements that were signed by the SLT members include severance that exceeded 20 weeks?
A No. It did guarantee 20 weeks, but it did not exceed 20 weeks.
Q All right. You understood that the PUP valuation was tied to net book value; correct?
A Yes.
Q JEA's net book value?
A Correct.
Q Who selected that particular metric?
A It is a guess, but between Ryan Wannemacher and Aaron Zahn.
Q Why do you guess that?
A Because Ryan presented the figures. Aaron was involved with him.
Q Do you know how net book value is calculated?
A I don't.
Q So you don't know how that metric might

potentially be manipulated?
A I do not.
(Discussion off the record.)
(Exhibit Number 4 was marked for identification.)
BY MR. WEDEKIND:
Q All right, Mr. Kendrick. I'm handing you what's been marked Exhibit 4.
Have you seen this document before?
A I have.
Q Okay. What is this?
A As I recall, it's something Ryan Wannemacher produced as a possibility to explain to Pat Maillis what the PUP might look like.
Q Okay. And so if you -- just starting at the top left-hand table, it says -- it's got a table. It says Group, and then Percentage of Salary, and then LTI Percentage; correct?
A Correct.
Q Then under that, it has various management groups.
The executive group says 40 percent of salary. What does that mean?
A I would assume it means the target for the LTI would be 40 percent of the base salary for a member of

the SLT.
Q Okay. What does that mean in layman's terms? That an executive would be entitled to purchase PUPs up to 40 percent of their base salary?
A This was never explained to me, so I don't know if that is the purchase or that's the target of the payout. I don't know.
Q Okay. If you look at the bottom group, it says Bargaining Units --
A Okay, it says -- I'm sorry. Where are we?
Q Still in the upper --
A Oh, Bargaining Units, yeah.
Q Bargaining Units is 1 percent --
A That's all the union employees.
Q Those are all the union employees. So the union employees would be expected to get about 40 times less of these LTIs than the executives?
A As a percentage of salary.
Q Do you agree with that?
A I do.
Q If you look over to the table to the right of the table we were just talking about, what's the difference between these two tables?
A The table on the right breaks out the appointed pay grades, the E through K.

Q Okay. So PG is pay grade?
A Right.
Q Those are levels of employees?
A Yes.
Q Okay. Are those all -- are the pay grade employees K through E appointed employees?
A Yes.
Q All of them?
A Yes.
Q Okay. And then the CBUs are the union --
A Bargaining unit employees, union employees.
Q Okay. And then the executives make up a total of 15 employees?
A Correct.
Q Okay. So out of a total number of 1,980 employees, the executives were 15 and the CBUs were, in head count numbers, 1,562?
A Correct.
Q And if you go down -- if you look at Slide Number 4, it -- it looks like it's roughly the same table as the one on the upper right-hand column, except it -- so it's broken out by the same groups, but then it also has row -- or, excuse me, columns for Average Salary, then the Number of Units, and then the Grant Value.

Do you see that?
A I do.
Q Okay. So under this table -- and this is just a sample, but it seems to be this is what Mr. Wannemacher is kind of thinking in his head about how these PUPs are going to be allocated; that the 15 executives would get 1,079 units and the 1,562 CBUs would get 8 units. Is that right?
A Yes.
Q Is it misleading, then, to say that all employees would be eligible to participate in the PUP, given the gross disparity between the number of units allocated to the executives versus those allocated to the CBUs?
A I don't think it is to say they would participate. Obviously, there's a great disparity there. As I understood, this was throwing something against the wall, because I asked what the allocations would be and was never given an answer.
So I think -- and, again, I honestly don't remember when I first saw this. I was asked about it in the discovery process with the special investigatory committee, and I asked Shawn Eads to go back and look at my emails because I couldn't remember when I got it or how it came about.

And I think Ryan provided it to Pat as a way of explaining. And I know I'm rambling a bit. But, no, I think it's fair to say they could participate, but obviously there's a disparity in the percentage that's targeted here.
Q So how much they could participate --
A Correct.
Q -- was much more limited relative to the higher-ups?
A Correct.
Q Under Slide 4, which is kind of the heading of that table, the last line says, "Day 1 of plan, unit, equals $100."
Do you see that?
A I do.
Q So was that an early amount that was designated for a PUP unit?
A I guess so.
Q Ultimately, it was $10 a unit --
A $10 was going to be the purchase price.
Q Do you know where those two different numbers came from?
A I don't. I think there was probably a feeling they wanted to make it more affordable, but I don't know why it went from 100 to 10 definitively.

Q Just to be clear, you didn't participate in the preparation of this document?
A I did not, no.
Q And then if you go to the second page, Slide 7, it talks about what the hypothetical payouts would be. Correct?
A Correct.
Q And then the rows have changed, and instead of being broken down by management group, they're broken down by salary.
A Salary.
Q And it provides prospective calculations regarding what these PUPs might potentially be worth; correct?
A Correct.
Q Do you know whether or not any of these figures includes any proceeds from a potential recapitalization of JEA?
A I don't. I don't think it does, but I don't know that for sure.
Q Why don't you think it does?
A The EBITDA changes look like, you know, fairly normal; a 2.5 percent increase over three years. I would think a recapitalization would -- that would be significantly higher, but I'm not -- certainly not an

expert, so I'm not sure.
Q So if you included the proceeds from a recapitalization event, you would expect that the numbers would be significantly higher as presented in this table?
A I would think so, yeah.
Q Do you know how many performance units were expected to be issued as part of the PUP?
A I don't.
Q By that I mean the total number.
A No, I understand. No.
Q Okay. Do you know whether or not there are SEC reporting requirements that relate to or that would be implicated by these PUP units, potentially?
A I don't. I know that was being investigated, I think, but I don't know what the upshot was.
Q Who was investigating that?
A Pillsbury.
Q All right. And I understand from your last interview that you repeatedly asked Ms. Dykes for an allocation of these PUP units.
A I asked a couple of times, yeah.
Q And she never gave you an answer?
A She didn't have an answer, no.
(Discussion off the record.)

BY MR. WEDEKIND:
Q Do you know why Ms. Dykes never gave you an answer to your question?
A She said she didn't know. In fact, at one point she said, it's in Aaron's head.
Q It's in Aaron's head?
A (Nods head.)
Q (Indicates.)
A Yes.
Q What does that mean?
A It means Aaron was still working on what he thought the distributions should be.
Q And why was it up to Mr. Zahn?
A Good question.
It was kind of his project. He was driving it.
Q Did you ever -- other than your conversations with Ms. Dykes, did you ever ask anybody else about PUP allocations?
A No.
Q Did you ever hear anybody talking about PUP allocations within the SLT?
A Yes.
Q Who?
A Well, Shawn Eads and I had a discussion.

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Q What did you two talk about?
A The discussion was, is this going to break the bank? What is expected for us to purchase if we have to participate? You know, like to be a team player, in other words.
And I understood those -- I listened to Steve McInall's testimony before the -- so I -- I didn't review it preparing for this, but back when he testified in January or whenever it was, he said he had some of the same discussions with other members of the SLT. There was a concern that, what's the expectation of us, so ...
Q Meaning that you would feel pressured to purchase units --
A Wondering if we would, you know.
Q Did you ever have any conversations about what the expectations would be?
A No.
Q Just water cooler talk --
A Yes.
Q -- among the SLT?
A Good way to put it, yeah.
Q Was there ever any water cooler talk about how much money the PUPs might eventually be worth?
A No. Well, I didn't participate.

Q Did you ever hear any member of the SLT ever talking about how rich they were all going to get as a result of a recapitalization?
A No.
Q Or that they wouldn't need to work for a while?
A No. Well, not related to the PUPs, but part of a recapitalization was comparable salary benefits for three years as well as a one-year retention agreement. So if your position were eliminated, you'd essentially have four years of compensation.
Q Under the retention agreements?
A Retention and part of the ITN, had JEA been sold, at a minimum requirement, it was comparable salary for three -- which is really a guarantee of employment for the majority of folks because that was still needed under the utility.
But, for instance, if someone came in -- I don't think they would keep me, so I would have the three-year guaranteed salary.
Q Plus an extra year?
A Plus the extra year paid in three installments.
Q All right. So going back to Mr. Wannemacher's chart here to really close the loop on that. The people

that were empowered to make decisions for JEA were also the ones under Mr. Wannemacher's allocation who would receive the greatest number of PUP units?
A True. And I will add that's not unusual in private industry. In fact, it's unusual that everyone would participate in private industry. Typically, it is for more senior level, but your point is true.
Q JEA is not a --
A No.
Q -- private --
A JEA is not private, that's right.
Q There are different considerations to be made for public companies versus private; correct?
A Correct.
Q Did you ever have any concerns about the PUP as it was being developed and implemented?
A I did.
Q Okay. What were those concerns?
A That we had gotten into September and, at least in my view, hadn't fully vetted it yet. I knew they were still -- "they" being the attorneys, were still going to the State Attorney General, the State Board of Ethics. I thought I'd heard we hadn't had any ruling from the IRS yet.
So I was getting concerned we were moving very

quickly, because our goal, ideally, was to get it in our open enrollment materials for the coming year for benefits, which means it would have had to have been ready early to mid-October to at least get the materials out to our employees.
So I felt, you know, is this going to be reality, are we going to have it vetted, is it actually legal. Because we seemed to be having some -- keep taking these extra steps to get it vetted.
Q All right. So at least in your mind, as of September 2019, it was not clear that the PUP was legal?
A I don't know if I'd make that bold a statement. I just -- the vetting process wasn't over and I thought it should have been at that point.
Q Why was it important to get the PUP completed in order -- in time for the open enrollment?
A Well, it was felt that it would be easier to share with employees as part of all their benefits material. It just made sense to be able to get it to them, with everything else, as they made their considerations for the following year.
Q If the PUP had not been rolled out during the open enrollment period and JEA had been sold in fiscal year 2020, the PUP plan would not have included the proceeds from the recapitalization; correct?

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A I'm sorry. I didn't follow that.
Q So if the PUP plan isn't completed by the open enrollment period and all of the employees --
A But you would assume it is completed at some point.
Q Right. But if it hadn't been completed and employees hadn't made their elections by the end of 2019, and then in 2020 JEA is sold, then the PUP unit value would not be based on the proceeds from the recapitalization; correct?
A I don't think there would be a PUP if employees didn't make selections on a plan.
(Discussion off the record.)
BY MR. WEDEKIND:
Q So if there were no PUP and JEA were sold, then there would not be any opportunity for the executives, who were supposed to have the lion's share of allocation according to Mr. Wannemacher, to receive the benefit of those units?
A Correct, because there would be no plan.
(Recess taken from 10:26 a.m. to 10:47 a.m.)
BY MR. WEDEKIND:
Q So right before we broke, I think that where we left it was that, in the absence of a PUP, there wouldn't be a payoff of the PUP units; correct?

A Correct.
Q Okay. So if you understood that the PUP units would be worth millions of dollars, then the prospect of a potential payout would be an extremely powerful motivator to drive an executive to make decisions that would accomplish a sale; correct?
A That statement's correct, yeah.
Q At some point, you had mentioned that either Pillsbury or Foley or maybe Lynne Rhode was researching the legality of the PUP --
A Uh-huh.
Q -- correct?
A Correct. I'm sorry. Yeah.
Q What do you know about that process?
A Not a great amount of detail. I trusted the attorneys to do their job. I know Lynne was working with Pillsbury, as evidenced by the documents they produced in September. I know just from hearing, Foley & Lardner was checking with the State, the Attorney General, State Ethics officer. It was just more understanding that they were doing that process to investigate it, to vet it, to make sure everything was copasetic, so to speak.
Q As part of that process, were you aware that JEA had engaged the law firm of Nixon Peabody to look

into the legality of the PUP?
A No.
Q I'm assuming that more recently you have probably read about Nixon Peabody?
A I have.
Q But in the moment, had you ever heard from anybody that Nixon Peabody was engaged in looking at the issues around the PUP?
A I could have heard the firm's name. I don't remember in connection with the PUP, no. Just Pillsbury.
Q Did you and Lynne Rhode ever have conversations about the legality of the PUP?
A No, I don't believe specifically. It was more status of, here's what we're doing now, we're working with Pillsbury, we're working with the State.
Q And she never told you that JEA had been working with Nixon Peabody?
A No.
Q Did she ever tell you -- or did anybody at JEA ever tell you that Nixon Peabody had drafted a memorandum discussing the legality of the PUP?
A No.
Q And then I assume that nobody at JEA ever provided you a copy of the memorandum?

A No.
Q Did you ever look at the research that was being performed on the legality of the PUP?
A No.
Q You trusted the attorneys to do their job?
A That's correct.
Q What did Herschel Vinyard ever tell you about the research on the legality of the PUP, if anything?
A Nothing that I recall.
Q You never spoke with Mr. Vinyard about it?
A Not about the PUP.
Q Not about the PUP?
A (Shakes head.)
Q (Indicates.)
A I'm sorry. No.
Q It's my understanding that the PUP was created at a meeting at Club Continental on July 10th and 11th of 2019. Is that your understanding?
A No. I think based on the -- I think the idea was there before that, a discussion before that, based on the Willis Towers Watson presentation and the presentation to the comp committee. Pillsbury attorneys were present at that meeting and they may have discussed it. I wasn't involved in those discussions.
Q Okay. But you were at Club --

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A I was at Club Continental, yes.
Q For both days?
A Yes.
Q And also the post-meeting meeting at the Dalton Agency?
A Yes.
Q You also -- because you presented -- attended the July 23rd JEA board meeting?
A Correct.
Q And you heard Mr. Wannemacher's explanation of the impact of a recapitalization event on the valuation of the PUP units?
A If he presented it, I did, yeah.
Q Do you remember what he said?
A I don't.
Q Do you remember thinking that anything that was said at the July 23rd meeting was either incomplete or misleading or confusing in any way?
A No, not at the time.
Q How about now?
A Well, for instance, the tax liability issue you pointed out, that should have been explained. Yeah.
Q What about the impact of a recapitalization event on the value of the PUP, should that have been fully explained to the board?

A In hindsight, yes.
Q When all of this was happening, did you understand what the impact of a recap would be on the PUP values?
A No.
(Exhibit Number 5 was marked for identification.)
BY MR. WEDEKIND:
Q I am handing you Exhibit 5, which is -- looks like a dec -- it's labeled Total Market Compensation Strategy, Performance Unit Plan, July 2019. I will tell you that this was taken from your hard copy files.
Do you know who drafted this document?
A It was based on Willis Towers Watson's work as well as, for instance, the work together to elevate the entire team, what the -- the board had approved as a compensation strategy in January.
Q Who drafted it?
A I'm sorry. I believe I put it together based on some of the other information of Willis Towers Watson, the previous board materials, but I won't swear to that. I think I did. I'm sorry.
Q It's dated July 2019. When in July 2019 would this have been prepared?
A Shortly before the board meeting.

Q Okay. So this is a pre-July 23rd board meeting document?
A Yes.
Q If you turn to Page 5 of the document, it has some handwritten notes at the bottom. Are those -- is that your handwriting?
A It is.
Q Those are your notes?
A Yes.
Q Okay. Where did -- so I'll just read them. It says, "Benefit program, not comp; after research, in lieu of; Number 1, collective bargaining; Number 2, rules, got around, FL 215, clarity."
Where did those notes come from?
A I am making an assumption. We did a board run-through, typically, the day before each board meeting and received input from people as we did that. So I'm assuming I made those notes at the board run-through.
Q Whose input would have resulted in these notes?
A Most likely Aaron's. Lynne could have mentioned something, I don't know, about the statute, but probably Aaron. And I'm guessing, honestly.
Q It says, "after research." Did you ever --

you never saw that research?
A No.
Q All right. What does it mean, "benefit program, not comp?"
A That you're not paying employees' compensation; that you're electing to participate in it and purchase the units so it's more of a benefit program.
Q What would happen if the target for the PUP was set too low?
A I don't follow. I'm sorry.
Q So my understanding is that an employee is eligible to purchase units, and if JEA attains certain goals, then the units would obtain certain value.
A Right.
Q And do you know who set the goals for the organization to attain?
A I believe a combination of Ryan and Aaron.
Q What would happen to the value of those units if the goal were set too low?
A I believe employees would lose their investment. They wouldn't get paid.
Q Well, if the goal was --
A Oh, I'm sorry. If the goal were too low. I'm sorry.

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Q Correct.
A Well, again, I'm not sure I follow. If the goal were too low, what would happen to the value of the shares?
Q Yeah. If there's a guaranteed payout of the shares, wouldn't it be compensation if there's no real risk associated with the units?
A Oh, oh. I don't know. I guess that's more of a legal question than I can answer.
Q What changed structurally with the PUP from a comp program to a benefit program as described in your notes?
A I don't think anything changed structurally. I think, based on this research, I didn't see -- it was felt it was better to approach it as a benefit program.
Q So this is a change in messaging and not structure?
A I believe so.
Q What does it mean, "in lieu of collective bargaining?"
A I don't think those two relate. I think the "in lieu" -- well, maybe they do. Compensation has to be collectively bargained; anything that's related to pay. The short-term incentive plan is included in collective bargaining. If it's not compensation, it

falls outside those parameters.
Q So then if it were -- if JEA decided that the PUP was really a benefit program and not compensation, then it wouldn't have to be collectively bargained?
A That's correct.
Q And if JEA decided that it was a benefit program and not comp, then what does this mean about "rules, got around FL 215" mean?
A Given my writing, that's probably get around.
Q Sorry. Get around?
A Yeah. I don't remember.
Rules, get around.
I'm speculating that some of those things we read in the statute might not apply if it's not a compensation program.
Q So if JEA calls it a bonus scheme under 215.425.(3), and the resolution requires it to comply with 215.425.(3), and then JEA decides that, despite not changing it structurally, that it's now a benefit program and not comp, does that somehow obviate the need to comply with the statute?
A I don't know. I'm not a lawyer, and I don't mean that flippantly. I don't know.
Q What is the -- it's hard to understand how the notes at the bottom relate to one another, if they do,

because there are kind of gaps in the words.
A Right.
Q I'm assuming that "get around FL 215" is all part of the same thought. I'm wondering about the word "clarity" and what that means.
A I don't remember.
So presenting this to the board -- I'm sorry. I don't remember why I wrote that.
Q To summarize, these are notes that were taken by you in connection with a pre board meeting in which Aaron Zahn or Lynne Rhode is explaining that the PUP is a benefit program, it's not compensation, they've done research, and they've gotten around FL 215?
A That's what it would seem to be.
Q And that all happened the day before the July 23rd, 2019 JEA board meeting?
A That's very likely when I took these notes because I would have had this presentation in front of me.
Q That is a staggering admission.
Do you know whether or not either the Pillsbury or Foley & Lardner law firms were specifically tasked with getting around FL 215?
A No, I don't.
Q At the July 23rd board meeting, was the board

ever advised that leadership's strategy was to get around FL 215 with the PUP plan?
A Not that I recall.
Q You sat through that whole meeting?
A I did.
Q And we read earlier that the resolution that came from that meeting requires the PUP to comply with 215.425, Sub 3?
A Do you have the transcript of what I said then? That might help clarify my notes.
Q I do not.
A Okay.
Q Just to be clear, the resolution that we looked at said --
A No, I understand that.
Q -- the CEO is authorized to implement the PUP provided that it complies with 215.425.(3).
A Yes.
Q And your notes indicate that Mr. Zahn or Lynne Rhode have decided before the July 23rd board meeting that we're going -- we figured out a way to get around 215?
A I don't know specifically what that means, but that's what it looks like.
Q That's what it looks like to me too.

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(Exhibit Number 6 was marked for
identification.)
BY MR. WEDEKIND:
Q I am handing you Exhibit 6 which is -- looks like another PowerPoint. It's identified as Total Market Compensation Strategy, Compensation Committee, June 2018. These are -- this was also taken from your hard copy files, and so it seems to have some handwritten notes -- off the record.
(Discussion off the record.)
BY MR. WEDEKIND:
Q Okay. So what you just said while we were off record was --
A I'm sorry.
Q That's okay. It looks like the date on the front page is wrong. It should say June 2019?
A I believe so.
Q Okay. So this was done in connection with the June 2019 comp committee meeting?
A Correct.
Q Okay. And these are your handwritten notes on these materials?
A Correct.
Q Okay.
MR. MCLAUCHLIN: Is this an exhibit?

MR. WEDEKIND: Yes, it's 6.
BY MR. WEDEKIND:
Q If I could ask you to turn to Page 6. It looks like the same slide as we just looked at. Different notes. These notes above the Financial Value component of the long-term incentive, it has the word "acquires" and then it's struck through.
Do you know why you would have written the word "acquires" and then struck through it?
A No.
Q Okay. And then it says, next to it, "additional focus/" -- I think what it says is --
A "Unique for public utilities."
Q That's what I thought it said. Okay.
So what were you attempting to report in these notes?
A The additional focus I don't know. Just pointing out the fact that Willis Towers Watson did say this is a unique program. It's something that they see rarely for public utilities.
Q All right. So that's feedback directly from Willis Towers Watson that this thing was rare for -- in this sector?
A Right. Correct.
Q Did you tell that to the comp committee in

connection with this meeting?
A I probably did, since I made the note, because that would have been kind of a talking point.
Q These are notes, I'm assuming, that you write to yourself in preparation for the meeting?
A That's correct.
Q Okay. So that you can remind yourself of things that you really want to highlight to the committee or the board?
A Correct.
Q If you go to Page -- well, it looks like this is excerpted because there are some pages that don't look like they're numbered. If you go about seven pages in, you'll see the page, it's Long-Term Incentive Plan Design.
A Yes.
Q At the very bottom, it says, "Value of units tie to JEA Net Book Value."
You underline that and write the word "CFO"?
A Correct.
Q Just to remind yourself that that's who's coming up with the net book value at the end of the day?
A That's right.
Q Did you understand, too, that the CFO, Mr. Wannemacher, would be entitled himself to receive

PUP units?
A Certainly. I mean, I didn't make that connection -- yes, I did understand he would be, sure. I didn't consciously think about it, I guess, is what I'm trying to say.
Q Understood.
Did that present any kind of conflict of interest concerns to you?
A Yes and no. I mean, someone has to establish the value, and typically the finance department does it, but there should be checks and balances on that as well, I guess.
Q Do you know whether or not there were checks and balances that were implemented in connection with the PUP?
A I do not.
(Exhibit Number 7 was marked for
identification.)
(Discussion off the record.)
BY MR. WEDEKIND:
Q I'm handing you Exhibit 7 which is an email from Jessica Lutrin to Lynne Rhode, dated August 16, 2019. And I'll tell you, you were not a recipient of this email so you probably have no reason to have ever seen it before. But you'll notice that it transmits a

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document and comments about the PUP plan, but the word PUP is deleted and an asterisk is used in place of the word PUP.
Do you know why anybody would do that?
A No idea.
Q Would it be to avoid potentially a public records request?
A I honestly don't know.
Q So there was never any discussion about the way that people documented sensitive topics at JEA to avoid public records requests?
A Not to my knowledge, no.
Q If you'll go to the -- Page 2 of the exhibit. It shows in Subsection 5 that "the allocation for the Chief Executive Officer shall be blank percentage of the total 100,000 PU," which I assume are performance units.
Do you see that?
A I do.
Q Do you agree with my interpretation?
A I do.
Q Okay. The comment underneath it in highlight is, "It would be typical for the number of PUs to be awarded to the CEO to be determined in the compensation committee resolutions. Also, if the allocation for non-CEO employees is determined based on the annual JEA

performance ranking program, should the same apply to the CEO."
So the question really is, Number 1, it appears, at least as of August 16, 2019, that there are going to be issued a total number of 100,000 performance units; right?
A Seemed so, yes.
Q And that the allocation would be performed by Mr. Zahn himself?
A Right.
Q Except for his own performance units which would be handled by the compensation committee chair?
A Correct.
Q I think you testified earlier that all of these numbers were already in Mr. Zahn's head at this time?
A If they -- if he had determined that, they were in his head. That's what Melissa said.
Q That's what Ms. Dykes --
A I said, do we have the allocation? She said, they're in Aaron's head.
Q When was that?
A Probably in September.
(Exhibit Number 8 was marked for identification.)

BY MR. WEDEKIND:
Q In November of 2019, an op-ed under your name was published by the Florida Times Union. Exhibit 8 is a copy of that op-ed.
First question is, did you write that op-ed?
A I did not write the initial draft. I edited the draft.
Q Who wrote the initial draft of that document?
A Someone in our communications team.
Q Under Kerri Stewart?
A Under Kerri Stewart.
Q And how much of it was edited by you before being published?
A I would say 40, 50 percent; some of it just to, perhaps, make it a little more conversational.
Q Did you make any substantive changes?
A Let me read it.
I think that the only substantive change would have been kind of in the middle of the second page to point out that retention agreements were collectively bargained and included in recent contracts.
Q This op-ed was written to rebut some news about the executive team or the SLT making a substantial amount of money in the event of a recap as a result of their retention agreements; correct?

A That was part of it, and just to explain what the retention agreements were, too, I think.
Q Okay. The fourth paragraph says, "Perpetuating a narrative that implies JEA's senior leadership team has a significant financial interest in a recapitalization event via retention agreements is inaccurate and implies that the senior leadership team doesn't have employees' best interests at heart."
Do you see that?
A I do.
Q Okay. Would the same be true with respect to the PUP units?
A That's speculating I think. I didn't know what the allocations were going to be like at this time. I was simply responding to what the retention agreements were and that they were not -- that they were available for everyone based on their salary.
And I don't mean to avoid the question. I just -- at the time, I would have said no.
Q Would you agree that if JEA's SLT had a significant financial interest in the recapitalization event, that would have been a significant problem?
A Yes.
Q Why?
A For the very reasons that have come out in the

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press; that if they stand to make millions from a recapitalization, that they would obviously, theoretically, have a greater interest in selling. But, again, none of us really were focused on that or what the PUP would mean. We just weren't sure what it would mean for us.

Q Everybody or just you?

A Well, I can't speak for everybody. So I will speak for me, yeah.

Q In your op-ed you say, "As a JEA senior leader whose job it is to first serve others and look out for the interests of our employees, I'm in a good position to set the record straight."

Do you agree that the SLT's job was to first serve others and look after the interests of JEA's employees?

A I do.

Q Do you think that the PUP allocations that we looked at earlier first served others and looked after the interests of JEA's employees?

A As I understood that document, it was kind of throwing something up against the wall. So I don't know that it would have been a final allocation, but, again, it's not unusual to see it skewed that way toward more senior leadership.

Q Well, if the allocations did come out that way, would you agree that they served JEA's employees first or the SLT?

A The SLT would benefit in a greater capacity.

Q A far greater capacity; correct?

A Well, yes, if you look at the difference between 1 and 40.

Q At some point you discussed the PUP with Kevin Hyde as I remember from your prior interview?

A I did.

Q Okay. What did you and he talk about regarding the PUP?

A It was a fairly brief conversation because -- and this was in September at some point -- because things were not jelling. We didn't seem to have final approval or it hadn't been thoroughly vetted. Because we were facing tight deadlines that we wanted to implement, I just wondered if we were moving too fast.

I wanted to make sure that everything was above the board, honestly. And I wanted an opinion from someone outside of JEA, even though Kevin's firm was being paid. And I had known Kevin before, developed a rapport with him and trusted him, and wanted to at least have that conversation with him. So it was a very basic conversation.

I said, I'm just calling you. I'm not impugning anyone. I'm not, you know, accusing anyone of anything. I just want to know your thoughts on the PUP; is it legal, is it ethical, are we comfortable moving forward.

And he said, absolutely. And I think at that point he had maybe even visited the -- I don't know if it was the Attorney General or someone on his staff or the State Ethics Board, but he had visited someone in Tallahassee.

He said, yeah, it is -- it's fine to move forward. You can be comfortable with it. You will get blowback -- which is obvious, but that was really the essence of the conversation. He assured me that it was fine to move forward.

Q What did he mean when he told you you would get blowback?

A You'd have to ask him. I'm guessing because it was kind of a unique program for a public utility, and it would -- I don't know that he was referring to amounts because I don't think he knew amounts. I don't think any of us at that point knew the allocations.

I think he was just talking about the -- and, again, this is me speculating, but I think he was talking about the uniqueness of the program.

Q Setting aside the allocations, did anybody have an idea about, at this point, how the PUPs would be calculated, regardless of how they would be allocated amongst JEA's employees? Was there any concern about how the PUP values would ultimately be calculated?

A I didn't have a concern, but I don't know that I knew at that point or had paid attention. Perhaps I'd heard the calculations, but I really hadn't paid attention to them.

Q Who would you have heard the calculations from?

A Well, Ryan would have presented it. Whatever -- he did present to the board about the metrics. I don't know that it was discussed after that, with me anyway. I'm sure it was discussed.

Q In September of 2019, you were concerned enough about the PUP to address it with Kevin Hyde.

Did you take it any further beyond that conversation?

A I did not.

Q Why not?

A I had the assurance from someone I trusted that it was -- it was good to go.

Q So you didn't contact JEA's ethics officer?

A No.

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Q Do you know if anybody did in connection with the PUP?
A I don't know.
Q As somebody who is very knowledgeable about the HR realm, you would have understood that JEA would be prohibited from retaliating against you for bringing to its attention concerns about the legality of the PUP?
A Yes.
Q Or any other JEA employee --
A Correct.
Q -- at any level?
A Right.
Q So if there were a JEA employee, from Mr. Zahn all the way down to the most recent hire by JEA, and they raised a red flag to JEA about their concerns with the PUP, JEA would be legally prohibited from doing -- taking any adverse action against that employee as a result of bringing it to their attention?
A That's right.
Q So there could not possibly be any concern by any employee that bringing their concerns about the PUP would result in an adverse employment action?
A That's the policy. I mean, an individual employee may fear retaliation just as a natural -- certainly.

Q But you knew that the law would protect such an employee?
A Yes.
(Exhibit Number 9 was marked for identification.)
BY MR. WEDEKIND:
Q I'm handing you what's been marked as Exhibit 9. This is an email from you to Ms. Dykes a little bit before the time period that we were just talking about, so August 21st, 2019. It attaches a spreadsheet called PUP Table. I'm going to hand this to you in a second.
A Sure.
Q In your email to Ms. Dykes it says, "Here's an idea for forced ranking."
I'm just going to ask you, what is this table? What are you trying to describe with it to Ms. Dykes?
A It was probably mislabeled PUP Table. I probably confused the two, as I recall.
What we were looking at was a new pay for performance plan as well, revising that based on some of the Willis Towers recommendations and broadening the ranges. And JEA has a three-stage ranking; exceeds expectations, meets expectations, and needs improvement.
And she was asking about ideas on how to broaden those ranges, maybe to five or whatever number.

And so I pulled my team, and I had experience before, and JEA has actually done this before, apparently. They've had scales of five, down to three, back to five.
So I was just giving her what it might look like and what the distribution might look like, kind of a bell curve, if we went to a five-level ranking.
Q Okay. So this doesn't have anything to do with the PUP?
A I don't think so, because the PUPs you purchased. So this was more, I believe, about the pay for performance plan, the short-term incentive.
Q While it's true that you purchase the PUPs, you were still allocated a certain number of options?
A I'm sorry. That's true. That's true.
Q So is it possible that you were recommending this table as a way to objectively allocate PUP units?
A It could have been. I mean, it wasn't a recommendation. It was an idea that JEA had had before -- had used before and just what those percentages might look like on a bell curve. So it was an example, I guess.
Q Do you know whatever happened with this?
A Nothing, to my knowledge.
Q So Ms. Dykes never responded to this email?
A She may have said thank you. I don't think we

ever discussed it.
Q That's what I was really looking for.
A Yeah.
Q So, substantially, no real response or discussion following this email?
A Not that I recall.
(Exhibit Number 10 was marked for identification.)
BY MR. WEDEKIND:
Q Going back to Kevin Hyde for a second.
A Sure.
Q This is an email exchange between you and he later on, December 13th, 2019. You have forwarded him, it looks like, a copy of Mayor Curry's letter to the JEA board. Remember, this is now December of 2019.
A Okay.
Q Mayor Curry sends this letter. You forward it to Mr. Hyde and ask to talk to him. Why did you do that?
A Give me a moment, if you would.
(Discussion off the record.)
BY MR. WEDEKIND:
Q So really the question is, you got Mayor Curry's letter and reached out to Mr. Hyde why?
A I think -- and I don't believe it had anything

to do with the PUPs. Kevin had done all the work on the pension legislation; drafting it to make people whole should recapitalization take place. So Mayor Curry's letter talks about the scenarios.

I don't know. I couldn't tell you specifics. I would think it was just to be -- because he talks about town halls and getting the word out and accomplishing it by the end of January for a board vote; that it might be to talk through some of the mechanics with Kevin about the pension, the retention agreements. I honestly don't remember why I sent it to him.

Q Do you remember having a conversation with him after that?

A I'm sure I did.

Q Do you recall what it was about?

A I'm sorry, I don't.

(Exhibit Number 11 was marked for identification.)

BY MR. WEDEKIND:

Q Okay. I'm handing you Exhibit Number 11, and I've gone ahead and turned it to Page 17 which is the page I want you to look at.

A Okay.

Q This looks like a packet of information that was distributed by Melissa Dykes in connection with the

ITN, and it's broken out by section and given to the various members of the SLT whose sections are implicated. Page 17 talks about employee benefits.

And my understanding is that, in this process, a seller disclosure letter is being drafted in connection with a potential asset purchase agreement; is that right?

A Right.

Q In connection with the ITN?

A Correct. I'm sorry.

Q And the first footnote, 15, at the very top says, this is all subject to review by Foley, meaning Foley & Lardner. Right?

A Correct.

Q Okay. And then if you go down to Subsection D, it says, "Neither the execution of this agreement nor the consummation of the transactions contemplated hereby" -- which presumably is the capitalization recap event -- "will entitle any member of the executive management team of the business listed on Section 3.14(d) of the seller disclosure letter, to any material payment or benefits or accelerate the time of payment or vesting of any material compensation or benefits in either case under any employee benefit plan."

So this was a draft representation that was

going to be included in the seller disclosure letter to a potential bidder in connection with the ITN?

A Correct.

Q And do you understand now that that representation was false because of the impact of a recapitalization event on the PUP?

A I do, because the PUP would have accelerated it, I believe, so ...

Q And it would have been a material compensation or benefit under any employee benefit plan?

A Yes.

Q Do you know if other people than you were required to review these particular sections of the seller disclosure letter?

A The legal team, I mean, like Foley, for instance. I don't know that -- I probably would have sat down with Pat with this, as I recall, to go through them.

Q Did you do that?

A I'm certain I did.

Q But you don't remember whether or not you did, or you don't remember doing that?

A I'd be surprised if I hadn't, I guess, is the best way to put it.

Q That's fair.

A Yeah.

(Exhibit Number 12 was marked for identification.)

BY MR. WEDEKIND:

Q Exhibit 12 is a document that was taken from your hard copy files, and I think it is notes that you prepared for yourself or that somebody prepared for you about a presentation made about the PUP.

A Yes. Yeah, I prepared these.

Q You prepared these, okay.

Were these prepared in advance of the July 23rd board meeting?

A Yes.

Q And it's -- under the seventh bullet, it says --

A Yeah.

Q -- "As we researched the feasibility of this, it became apparent that there was no definitive answer in Florida law regarding LTI for government entities."

What did you mean by that?

A I will back up a moment. I did prepare these, but I did it in conjunction with what I was being told by attorneys, probably Lynne, because I certainly didn't research the Florida law. I wasn't an expert on it. So what I meant by it, I guess -- as I recall being told,

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the statute didn't address specifics about a long-term incentive plan like this.

Q If Lynne Rhode told you that there was no definitive answer in Florida law regarding LTI for government entities, and when she told you that she had in her possession a memorandum of law drafted by Nixon Peabody that said that the long-term incentive plan was illegal under Florida law, then this statement by Ms. Rhode to you would have been an outright lie; true?

A If she had that memo, yes.

Q And at the time that you made this statement, you did not know that Nixon Peabody had drafted and sent such a memo?

A I did not.

Q If you had known that Nixon Peabody had drafted a memorandum of law that said that the PUP violates Section 215.425 and is therefore illegal, would you have made this statement to the board?

A No.

Q Did Ms. Rhode specifically draft this bullet for inclusion in your presentation --

A I don't know. I certainly would have taken input from her, but I don't know that she drafted that specifically.

Q How about Kerri Stewart, did she ever assist

in drafting your bullet points to present to the board?

A No. Well, no, I don't believe so. No.

Q And then -- so the following bullet point says, "Rather than become mired in discussions regarding whether this is compensation or if it is subject to collective bargaining, we designed a program that is designed as a simple employee benefit and not as compensation."

And then there are some handwritten notes of yours that change the wording a little bit.

Whose thought is that?

A It's partially mine as well as probably Lynne or Pillsbury -- and when I say Lynne, it could involve Pillsbury as well. I mean, Lynne certainly wasn't an expert on this, although I'm sure she looked at the Florida statutes.

Part of this is my thought because if it is compensation, it's subject to collective bargaining. It would be cleaner not to have it subject to collective bargaining and still provide something for the employees. So it's probably a combination.

Q And then at the conclusion of your comments, you pass it to Mr. Wannemacher to provide more detail?

A Yes.

Q And, again, this shift in language was not as

a result of the structural change to the PUP, but a shift in messaging regarding the PUP, from benefit -- from compensation to benefit?

A Yeah, yeah, I believe so, because it was always based on performance units. I don't believe the structure changed, so ...

(Discussion off the record.)

(Recess taken from 11:45 a.m. to 12:21 p.m.)

BY MR. WEDEKIND:

Q Had you seen a full set of the PUP documents prior to the July 23rd board meeting?

A No.

Q When was the first time you remember seeing a full set of the PUP documents?

A Late August, early September. Probably into early September when Pillsbury provided them.

Q Okay. So Pillsbury provided them to you?

A No, to Lynne --

Q To Lynne and then --

A -- who provided them to me.

Q Okay. All right. In the op-ed that was written, that really was focused more on the retention agreements and the coverage surrounding the retention agreements.

My question is, was there a difference between

the retention agreements -- the terms of the retention agreements as they related to the SLT versus as they related to the appointed employees, or the bargaining unit employees?

A No.

Q All the same?

A Not initially. We put out a retention agreement for appointed employees right after that board meeting, but as we went through the collective bargaining process, the unions raised various points. So we went back and did addenda to the one we were giving the appointed. So the end result was they were all the same, but initially they were not.

Q Okay. So, initially, the bargaining unit employees had a worse deal and they bargained for a better deal?

A No. No. It was just some of the language. There was a clause that made it sound like you couldn't exercise your 1st Amendment rights. So we wrote that out of there. You couldn't be critical of JEA or something like that. So that was removed through the bargaining process, and then we did an amendment to the ones we'd already given the appointed and they signed that.

Q So did the provisions like you can't be

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critical of JEA get redacted out of everybody's --
A Yes.
Q -- retention agreement?
A Yes.
Q As a result of the bargaining with -- the collective bargaining process?
A That's correct.
And the terms were the same. It was one year's salary pay, then three installments if you stayed.
Q Okay. What was your role in working on the proposed RIFs as part of the Scenario 2 plan?
A It had already been done when I got there.
Q Meaning you had nothing to do with it?
A I really didn't. We looked at it again as part of the strategic planning, but the names -- not the names. The positions or numbers had been provided. We may have looked a little more in depth at the numbers because I think, at some point, Aaron asked us to go back and look at SQ2 because it was still a possibility before the board, but really the legwork had been done prior to that.
Q Who did the legwork?
A You'd have to ask Angie. I think it was a team effort. I think each member of the SLT talked to

their teams about where they could make cost reductions. So I think everybody at that level was involved.
Q Was it part of your scope to present the RIFs to the board as part of the SQ2?
A I don't -- I'm trying to think back to the June board meeting. I didn't present RIFs to them, but I'm trying to remember if SQ2 was presented to them in June. And SQ2 included cost reductions, so I think it probably -- either was implicit or stated, but I don't think there were specifics stated about the RIFs.
Q There were form documents that were provided to the board at the July board meeting.
A About separation?
Q Correct.
A Right.
Q Were you involved in preparation of those documents, or had all of the documents already basically been --
A No. They're -- the way RIFs affect our collective bargaining unit employees is very different. So -- and there are civil service rules that we operate under the City.
So I went to Maryanne Evans and said, let me have them, what do we do regarding these RIFs? And if I recall, that's what was presented. It's a very defined

process. There's bumping rights depending on the union and seniority and different things that play into it. So it's a very prescribed process.
Q In some of the handwritten notes that we looked at, it was in connection with the performance unit plan PowerPoint presentation in July.
Do you remember the handwritten notes you had?
A Yes.
Q Section 1 was about collective bargaining and Section 2 was about Florida 215?
A Yes.
Q Okay.
MR. MCLAUCHLIN: Exhibit 5?
THE WITNESS: Yes.
BY MR. WEDEKIND:
Q Thank you.
So in Exhibit 5, who -- what was the source of the information that, as a benefit, it wouldn't be required to be collectively bargained?
A I don't know that there was a source. I mean, that's understood; compensation is collectively bargained. Benefits aren't necessarily. Perhaps a discussion with Lynne, but just generally understood, if it was related to compensation, then it had to be collectively bargained.

Q But if it was a benefit, it didn't have to be or --
A We addressed benefits, but if I recall -- and I know I can't necessarily call on Sean or Adina as an expert here, but as I recall in the bargaining, the unions don't have the right to determine benefits, but we do -- like healthcare and things like that -- we do discuss them in the process.
Q Was there any -- ever any pushback that you got regarding the confidentiality in the -- either the retention agreements or the PUP agreements?
A What do you mean by confidentiality? I'm sorry.
Q So my understanding, at least as to the PUP agreements, was that there was an obligation that when an employee signed their PUP documents, they were committing to confidentiality about anything having to do with PUPs. They could only talk to like their family, their attorney, and their CPA, and that's it.
A Correct.
Q Was there ever any pushback about the Draconian level of confidentiality related to the PUPs?
A No, because we never got to that point with employees, I don't believe. I mean, I know we didn't. In fact, when the PUPs were canceled, we got a lot of

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calls, saying, wait, what is this? Am I being affected? Are you taking something away from me?

So it hadn't really registered what the program was with employees. And we never got to that point where we presented them any documents to sign, so ...

Q At some point, JEA was undertaking a process to convert at least a portion of its payroll servicing to ADP; correct?

A Correct.

Q Okay. And that project was within the scope of your area?

A Yes.

Q Who was responsible for overseeing it?

A It was a joint effort between me and Shawn Eads, the chief technology officer.

Q And I think I remember seeing some documents that indicate that Mr. Eads' department actually paid ADP for the contract.

Do you remember that?

A I think so, yeah.

Q Why?

A Because it was really more of a technology thing to outsource our Oracle -- or what we were using Oracle for to ADP, and I think he had the bigger budget,

honestly.

Yeah, that was definitely an unplanned expense. So that probably played into it more than anything.

Q What does that mean, it was an unplanned --

A It wasn't in the budget. It was ...

Q When did it come up?

A I believe late August. Mid to late August.

Q And in your last interview, I think that you said at some point that there was possibly a business case to be made for this under Angie Hiers, and then you went back and looked for the business case and you couldn't find one?

A That's correct.

Q And so, ultimately, I think you drafted a business case?

A I did.

Q We'll look at that whenever our exhibits come back.

So at some point, this topic had been explored, at least theoretically, by JEA; correct?

A That's correct.

Q Whose idea was it to resuscitate this in 2019?

A Melissa Dykes.

Q Okay. What did Ms. Dykes tell you about the

project?

A It was almost a hallway conversation. It wasn't a formal meeting. She said, I have an idea. Angie's looked at this before. Reach out to her. There's probably something in the files. There wasn't, but I did talk to Angie about it.

She said, you know, there's probably cost savings. All kinds of companies do this. But she also said, this may be a way to -- and this is going to sound bad, and I think her intentions were good, so I'll try to explain it or answer any questions you have.

It would be a matter of public record, but typically when people make investment decisions like what they do with their 401(a)s and 457s and whatnot, that's not necessarily public knowledge or easy to find.

So I think she felt, if we outsourced payroll, it would add another layer of privacy so that the PUP elections wouldn't be as visible, knowing they would always be open to public record if someone requested it, but ...

Q So another way of putting that is it added another layer of security to avoid producing documents in response to a public records request?

A Well, I wouldn't put it that way, from an HR perspective. To me -- and, again, my background's

mostly private, so -- JEA is unusual. To me, it was really more about the privacy of the personal -- you know, there's things we don't release; HIPAA-protected stuff about employee benefits and things like that.

So in my HR thinking that made sense. I wasn't looking at it as a way to hide from public records because ultimately it would be in the public records.

Q Well, it would also make sense if you were planning on a huge payout from the PUP program and you wanted to try to conceal that from the public; correct?

A Perhaps.

(Discussion off the record.)

BY MR. WEDEKIND:

Q So I am going to be handing you a series of documents that kind of run us through the ADP project.

A Okay.

Q Can you please tell me the last number --

A Sure.

Q I think it's 12.

A 12.

MR. WEDEKIND: So this is 13.

(Exhibit Number 13 was marked for identification.)

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BY MR. WEDEKIND:
Q So this is an email from Pat Maillis to you, dated April 29th, 2019, and it includes comp committee presentations. A couple of questions here.
In the second paragraph, at the beginning of the paragraph it says, "To date, Aaron does not have a contract."
That was not true, was it?
A I guess he didn't have a permanent contract. He had been serving as interim director. So I think they had never -- he was serving under something. Yes, you're right.
Q Did you know whether or not Mr. Zahn ever signed written employment agreements with JEA?
A I don't remember. I thought he did, yeah.
Q He did.
A Okay, yeah.
Q He signed one as the interim, another in January of 2019, and --
A And then a third, yes.
Q -- a third one in July?
A In July. I knew he signed that one.
Q Okay. Where did it come from that Aaron -- that Ms. Maillis thought that Mr. Zahn didn't have a contract?

A I can only -- this was literally my first day there. I can only assume that she meant a permanent contract as -- and I'm not sure what he signed in January.
So I know it was a point of discussion at the June compensation committee to talk about his contract and do some work on it. So I'm assuming she meant a final, permanent contract.
Q Did Willis Towers Watson ever make a recommendation as to the structure of the PUP?
A I'd have to look at the presentation again. They kind of laid out what a performance unit plan looked like. I don't believe they got down into the nitty-gritty of the details, no.
Q At the very bottom, the last sentence of this email, "Let's plan to talk about this so I can give you the history and put our heads together to make sure Aaron gets the product he is seeking."
Do you know what she meant by that?
A I kind of alluded to it earlier. He was never particularly happy with what Willis Towers Watson was giving us. I think he felt they weren't perhaps forthcoming enough on some of their data, which they were probably keeping their information private because they gather survey data from companies confidentially.

So I think he probably wanted more data and maybe a stronger recommendation about implementing the 50th percent at market -- 50 percent of market.
Q Did you notice a pattern of Mr. Zahn's behavior in which he would ask a question, and if he didn't like the answer, he would go find somebody else to ask the same question to?
A No. I didn't notice that.
Q Did you have any involvement in JEA's decision to leave the Florida Municipal Electric Association trade group?
A No, I didn't.
Q Do you know anything about it?
A I was surprised when it happened.
Q Why were you surprised by it?
A Because JEA was a very strong member of it; one of the largest members, if not the largest. And it just seemed odd that we would leave them.
Q Why did JEA leave such a strong figure?
A I don't know. I wasn't privy to that.
Q Okay.
(Exhibit Number 14 was marked for identification.)
BY MR. WEDEKIND:
Q Exhibit 14 is -- I think these are a

combination of typed and handwritten notes from your file.
A Okay.
Q First of all, can you confirm that that's true?
A That's true.
Q Okay. These are your handwritten notes on this document?
A Correct.
Q Okay. Under the -- and at the top, it's titled, "ADP Notes-9/24." So we're in September -- late September of 2019?
A Correct.
Q Okay. And this is all about, obviously, the transition to ADP.
Under the first series of notes, it has a handwritten final bullet point that says "cannot administer plan."
A Hmm.
Q What is that?
A I'm sorry. Correct.
For an investment plan, there's a plan administrator which is -- for other JEA plans, it's Mass Mutual. It's usually a financial institution. We just asked ADP if they had that capacity and they did not.

Q Meaning to handle the PUP?
A Yes, yes.
Q Why would you ask ADP if they could administer the PUP?
A Because we needed an administrator and we were talking to them already.
Q And so, ultimately, was it decided that Mass Mutual would administer the PUP?
A It was hoped that they would. We had conversations with them, and it turned out that they couldn't do it in the time frame.
Q At the very bottom, there are more handwritten notes of yours. It's under the heading of PUPs. It says, "Elections to Pillsbury, appointed" is what I assume that last word is.
A That's right.
Q So what does that mean?
A The -- what appointed employees would -- the elections they would make for their purchase would go straight to Pillsbury.
Q Why?
A I'm trying to remember.
I honestly can't. I know it made sense at the time.
Q It seems highly unusual that employees would

send their benefits elections directly to a law firm that was working on the privatization --
A Well, I understand.
Q -- of the --
A Pillsbury was actually going to send out the information to the employees and act as a quasi administrator in that role. So for whatever reason, we were telling employees to fill out the form Pillsbury sent them and send it back to them, and I don't remember why. I'm sorry.
Q So Pillsbury was going to serve as a quasi administrator of the PUP?
A Well, for that piece of it; the enrollment or election piece of it.
Q Every election cycle or just the very first election cycle?
A I don't know. That's a good question.
Q Do you know what the billing arrangements for serving as the quasi administrator of the PUP for Pillsbury were?
A I do not.
Q Who would?
A I don't know. Lynne was probably handling the bills, which were eventually sent to OGC. But to actually make the arrangements, I'm not sure.

Q Why would Pillsbury need the election information of the PUPs?
A That's the question I don't remember, and I wish I could. There was a reason. It was going to be set up that way and they were going to send the material out and receive it back, and I just don't remember why.
Q So there was a connection between the PUP and the ITN process?
A No, no. I don't mean to imply that. The PUPs were going to be handled -- I know Pillsbury was working on the ITN process as well. But the attorney, Jessica --
Q Lutrin?
A -- Lutrin, thank you, was kind of the specialist on this and who I knew of that was dealing with this. So I don't think there was a tie between the two --
Q They just happened to --
A -- but I don't know. I don't know.
Q They just happened to be handling both at the same time?
A Yes. And as I understood it -- for instance, at the Club Continental meeting, they had attorneys there that were discussing the strategic options, and they also had employment law attorneys that were dealing

with us on pension and retention agreements, things like that. So I'm assuming different parts of the firm, but that's an assumption.
Q Why would Pillsbury need the elections of the appointed employees? And then the next -- the next tab it says, "We handle CBUs."
So why would there be a distinction between the collective bargaining units and the appointed employees?
A Good question. I am speculating because I honestly don't remember, but I think there were so many bargaining unit employees -- the 1,500, 1,600 number -- and they were all going to be at a base percentage -- for instance, in Ryan's thing, it was 1 percent -- that it would be easier to process and fairly easy to push through the system, whereas appointed, it looked like, again, they would be a different level. So maybe that was why. I'm not sure, honestly.
Q And then the last bullet it says, "Deferrals happen before 3/1."
Is that what that says, first of all?
A That is correct, March 1st.
What I understood from Pillsbury was, people had to make the choice, make the election before December 31st of 2019, and then pay for them by

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March 1st of 2020.
Q Through a withholding from their --
A Correct.
Q -- paychecks?
A Correct.
And part of the -- so I'll go off on a little tangent. Part of the pressure initially -- by pressure I mean timeline -- was to get it done -- try to get this done by November so that people would receive their pay for performance bonus and could then purchase PUPs with that so it wouldn't necessarily have to be money out of their pocket. And that just didn't become possible, so ...
Q Just because of the timing?
A The timing, yes, sir.
(Exhibit Number 15 was marked for identification.)
BY MR. WEDEKIND:
Q I'm handing you Exhibit 15, which I'm going to -- this is an attachment to the email. I'm just going to go and include them both as 15. So this is -- it looks like it's an unsent email from you to Melissa Dykes --
A Correct.
Q -- that attaches the business case for

outsourcing payroll that we talked about earlier?
A That's correct.
Q Did you ever actually send this?
A I did not. Sometimes things would get lost in Melissa's email. No fault of hers. But I actually typed it as an email, printed it, put it on her desk, and told her I put it on her desk.
Q Okay. So this ultimately was what was delivered to Ms. Dykes, it just didn't go by email, it went by hard copy?
A That's correct. And my intent was not to hide it. My intent was simply to get it in front of her where I thought she would see it.
Q Okay. So the business case, which was attached, among other things, talks about the salary and benefit savings that would result if we outsourced payroll to ADP --
A There appears to be a missing page here.
Q Was it a three-page document?
A It was a three-page document.
Q Okay.
A And that's key, I remember that, because Melissa just looked at the last page and made some assumptions and missed what was on the second page about the cost.

Q Okay. So there's an important document or page that's missing from this document?
A Yes.
Q Okay. And what -- do you remember what the content of that page was?
A It was a -- most of it was similar to this spreadsheet, but it was about the costs associated with ADP, both the initial cost and the annual recurrent cost. And, ultimately, there was not a savings when you balance it against this 310,000 figure. I did not summarize that, and that's what I kicked myself for afterwards, when I found out she went to the last page. I just thought if she read it and I could meet with her about it, we would talk about it.
So there's no summary to say that; that the costs associated with it were significantly more than the benefits. We could save by reducing our headcount in our payroll department.
Q So as I understand it, initially there were two benefits proposed by Ms. Dykes as part of this project; one, you realize the cost savings and, two, you would create an extra level of protection from public records issues?
A Correct.
Q The first wasn't true --

A That did not appear to be true, right.
Q -- based on your business case?
A That's correct.
Q And the second may have been true, but, really, ultimately, the information would have been discoverable through a public records --
A That's correct.
Q -- request?
Was it true that, as part of the ADP project, that you would actually have to hire an in-house person to assist ADP?
A No.
Q Okay. So you would decrease head count?
A Ultimately. We wouldn't have done it initially because we were talking about just outsourcing appointed payroll to start to see how they did because that's the simpler payroll. Once you get into the bargaining unit payroll, it becomes very, very complex, and that's when we -- once they picked that up, we would have reduced head count. So it would have been some time in the future before we actually saw any savings.
Q Did you recommend pursuing the project anyway?
A No.
Q Why not?
A Because, one, it didn't make sense

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financially -- well, that was the primary reason. It just -- and given the -- it's kind of what Angie ran into as well -- given the complexity of our payroll, it's just a monster to try to turn over to anyone. Payroll outsourcing is one of the most common HR outsourcings you see, and for JEA it just didn't make sense.

Q So if it didn't make sense from a business perspective, why did JEA pursue it?

A Well, this was a result of pursuing that. This was after we'd gone through discovery, for lack of a better word, where ADP had various meetings with them, our IT team, our payroll team, our finance team, as we gathered all that information after going through that process with them.

And Shawn Eads and I, in discussing this with ADP, had always built in a go/no-go point, roughly mid-November, and we said, you know, do the work and then we'll decide. And this is basically the point we said it doesn't make sense.

(Exhibit Number 16 was marked for identification.)

BY MR. WEDEKIND:

Q To that point, Exhibit 16 is a Payroll Project Talking Points document.

A Uh-huh.

Q Did you draft this?

A I did.

Q Okay. It does mention the go/no-go point the week of Thanksgiving.

A Right.

Q Yeah. It looks like the decision was made -- it was driven by tax considerations?

A That was a factor.

Q What does that mean?

A On Ryan's team, Ryan Wannemacher's team, there's a tax department and they felt they were up against a crunch if we were going to try to do this by January 1st with W-2s, because a glitch had come up where ADP said they have to issue everyone's W-2 even if they're not processing payroll for our collective bargaining unit people, which added another layer of difficulty to it, so ...

(Exhibit Number 17 was marked for identification.)

BY MR. WEDEKIND:

Q I guess this is going back in time a little bit, but I'll hand you Exhibit 17 which is a pre -- an ADP Pre-analysis Questionnaire that looks like it was partially filled out.

The first question is regarding the handwritten notes on the very first page. It says, "Stock Administration: No," and in handwriting next to it, it says "PUP"?

A Yeah. That was a reminder to me to discuss it with them, because it's not stock per se, but it would be similar to that.

Q Right. And so that was part of the conversation to see whether or not they could administer the PUP?

A Right.

Q Okay.

A But they would still have to -- you know, what I'm assuming here in this questionnaire, stock administration would be the deductions they would make from payroll for that. So they would make the deductions for PUP as well if this had gone forward.

Q If you go to the second page of this document, it says, "Processing Group: JEA; Number of Employees: 419."

A That's the appointed payroll.

Q That's the appointed payroll?

A Right.

Q So was that the number of accounts that JEA was looking to acquire as part of this deal?

A No. That's -- we were talking about outsourcing appointed payroll to ADP. So that's the number of employees they would deal with in processing payroll.

Q If it were -- if it turned out that there were only 413 employees as opposed to 419, then -- there's been some discussion that there were -- there was an over acquisition of ADP accounts in connection with this conversion.

A I don't understand that. I'm sorry.

Q So if you have 413 appointed employees --

A Right.

Q -- and JEA contracts for 419 or 420 ADP accounts, what would -- if there was a difference between those two numbers, why would there be a difference?

A Adding new employees. Hiring, I guess, yeah. I don't remember, specifically, there being any discussion of that. And I don't know that it was -- I mean, their cost to us or to JEA would have been almost like a benefits cost per employee, per month. So it really wouldn't matter, then, how many employees there were.

Q To them it would not?

A Yeah. They would just charge us.

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Q Right, because JEA was being charged by the account?
A Right.
(Exhibit Number 18 was marked for identification.)
BY MR. WEDEKIND:
Q Okay. Exhibit 18 is an email from you to Brian Motsett. Who's Brian Motsett?
A He's a sales guy at ADP.
Q Is he the guy that you were primarily working with?
A Yes.
Q Okay. And he's asking a question in September about somebody reaching out to Protiviti. What's Protiviti?
A Unfortunately, I have no idea. Someone there is working with Protiviti ...
Q What I'm really interested in is your email to him at the top.
A Yeah.
Q The second paragraph says, "I know our procurement folks have not reached out to Protiviti re payroll, so I'm guessing it might be someone interested in 'recapitalizing'" --
A Okay.

Q Does that refresh your recollection about this?
A It does.
Q Okay. What --
A That was speculation because we were only dealing with ADP. JEA has a -- in their procurement, they can piggyback on other government contracts. So I confirmed with ADP that they have such a contract. We had a procurement review of it. They said, yes, we can piggyback on this.
So no one would have reached out to anyone else like Protiviti or another supplier from JEA. So I was speculating, since the ITN had been issued, maybe someone who was interested -- one of the respondents was trying to price some services, and it was just pure speculation.
Q Got it.
(Exhibit Number 19 was marked for identification.)
BY MR. WEDEKIND:
Q Exhibit 19 is an email from Cecilia Prater to you, dated September 12th, and this goes into the piggybacking concept.
So why was piggybacking this contract with ADP necessary or important?

A The time crunch. I went to -- once Melissa said, look into this, and we started pursuing it, I went to John McCarthy, head of procurement, chief -- chief -- what's his title? I don't know -- head of procurement, VP, and said, how can we do this?
We had someone in procurement who was dedicated to HR and he talked to her and he talked to Jenny McCollum who worked for him as director of procurement. And they said the quickest way to do it is to find an existing government contract and piggyback, and apparently that was a regular practice.
We didn't put everything out for bid, I understand, if there was an opportunity like that, and it was really the time crunch.
Q And it was a way to avoid a bidding process to go --
A Well, that wasn't the goal so much as trying to get it more done quickly. I'm sorry I talked over you.
The goal was to try to get it done quickly because we knew the time crunch we were in.
(Exhibit Number 20 was marked for identification.)
BY MR. WEDEKIND:
Q Exhibit 20 is an email from Gwen Tarpley to

Robb Mack, dated September 13th. What I think I'm most interested in is, on Page 2 of the document, it looks like your team is trying to come up with answers to the questionnaire that we just looked at from ADP.
A Right.
Q And Gwen's email to HRIS Employee Records is seeking information. So under Number 1, it says, "413 appointed, 6 M&C."
A Right.
Q What does that mean?
A That's a classification under City of Jacksonville that -- JEA still has a few. It's called managerial and confidential. Most of them fall within HR. They actually work in payroll. They are gradually retiring, being phased out. I don't know if the City is still employing it, but it's kind of between the bargaining units and the appointed. They're almost treated as appointed employees. So they would have been included in this.
Q Okay. And that would be --
A That would give you the 419 number, I guess.
Q That would give you the 419. Got it. Okay.
(Exhibit Number 21 was marked for identification.)

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BY MR. WEDEKIND:
Q 21 is an email from Jenny McCollum to you, and I understand that she was working on this project from a procurement perspective?
A That's correct.
Q Okay. The date is October 7th.
And she says to you, "I'm going to have Heather and Elaine review these if that is okay. I will make sure they know this is confidential."
Why does she think that it's important to let them know this is confidential?
A I think we didn't necessarily want word getting out because it would raise -- not to hide anything, but you immediately get all kinds of questions from the bargaining units, from the union reps; what you are doing with payroll, why are you messing with payroll, why are you doing this.
I think it was really just to keep it as quiet as possible in that sense; again, not to hide anything, but just so we wouldn't have to deal with constant questioning. That's my recollection.
(Exhibit Number 22 was marked for identification.)
BY MR. WEDEKIND:
Q 22 is an email from you to Robb Mack, dated

October 10. And it seems like, based on Mr. Mack's email, that he's very concerned that JEA doesn't understand the scope of the work that ADP is going to perform.
If you look at the top of Page 2, it says, "I believe we need additional scoping conversations with ADP to establish clear visibility as to who is going to be responsible for what and how the hand-offs will occur."
A Right.
Q And then it says, "At this point as each area is beginning to engage more resources, the questions are coming faster than we have answers or information to respond."
What is he saying there?
A As we dug in and ADP saw the monster that JEA payroll was and we saw what their system -- and, frankly, JEA has kind of an antiquated Oracle system that is not -- certainly not up to date with the recent HR Human Capital Management systems. There's a lot of patches in there. There's a lot of information that -- and I'm sure ADP is used to plugging into the newer SAS systems. And they had difficulty with our Oracle system. They were used to more recent HRIS systems.
So as they began plugging into what we were

doing, you know, he says -- let me see -- how the hand-offs are going to occur, I know it was eye opening for them, and we had to dig in a little harder to try to figure out how to make it work. And a lot of that simply has to do with the JEA payroll system in Oracle. It's a bear, so ...
(Exhibit Number 23 was marked for identification.)
BY MR. WEDEKIND:
Q All right. Exhibit 23 is an email from you to Robb Mack, October 11th, in response to a specific question that he asks.
He says, "Hi, Jon, one question I forgot to ask; who internally can provide the business requirements to ADP regarding the new LTI/PUPs?" And you said, "That will probably be me."
A Correct.
Q So what he's asking -- what are the business requirements regarding the PUPs?
A How the deductions would look, what they would have to do in their system to make a deduction for the PUP, what would they call it, I guess. And I would probably be willing to answer it once I had the answers. I didn't at that point. But it's really how they structure it in their system; what they needed to do to

make it work, to make the deductions.
Q Did you ever get the answers to those questions?
A No, because it would have -- the key part of that was, what's the allocation, and I never got that answer, so ...
(Exhibit Number 24 was marked for identification.)
BY MR. WEDEKIND:
Q Exhibit 24 is an email from Katura Owens to Shawn Eads. It doesn't look like you were copied on this email.
A Okay.
Q But it's talking about this project. And it says, "Met with Robb/Gwen and Cecilia this morning. It was clear that there was not alignment down from your and Jon's level on what ADP is providing."
She's talking to Shawn Eads.
A Shawn, right.
Q "We all agreed to leveraging this time for that direction to be provided."
So this seems like there is more issues about what kind of services they're actually going to be providing to JEA?
A Again -- what this is, again, relates back to

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Oracle. Shawn's team is the one that owns the Oracle system, and Gwen is the payroll manager. It was just -- it sounded like they weren't lined up on what they had to give to ADP, and we needed to clarify what was expected from each member of the team.

Q Okay.

(Exhibit Number 25 was marked for identification.)

(Discussion off the record.)

BY MR. WEDEKIND:

Q All right. Exhibit 25 is an email from Kiyomi Damper to Gwen Tarpley and Robb Mack, dated October 28th. And it looks like they're talking about what I was asking you earlier. It looks like they're looking for a new payroll administrator to work on this particular project.

A Okay. Yeah, when you said payroll administrator, it threw me. I guess that is what they titled it.

We asked for additional help because it had become so involved and was getting so involved. We brought a contractor in to help provide information and work through the system; someone who could be experienced in system administration and understand it. So we weren't hiring -- and I apologize. I missed that.

We weren't hiring someone new to the company per se. It was a special need; a contractor to come in and help us with this process.

Q This was like a temporary --

A Yes.

Q -- stop gap?

A That's correct.

(Exhibit Number 26 was marked for identification.)

BY MR. WEDEKIND:

Q Exhibit 26 is an email from Ms. Owens to Robb Mack, November 20th. Her email says, "I think maybe another discussion with Russell might be warranted. I can put us together with Laura if you'd like, but I really think there needs to be some level setting. Maybe she needs to hear from Ryan the message Jon and Shawn gave to us."

So the first question is, what message did you and Shawn give to them?

A That was the combination of written and typed notes. Those are my talking points when we canceled the PUP that I gave to a combined team of payroll, IT, and finance. Shawn and I were in there presenting it.

Q So it looks like this is in response to an email from Laura Gutteridge Años. And it says, "I would

like to understand why we are moving forward now that the PUP is being terminated."

A Is there a date on this? There's probably not. So maybe I misspoke.

We did make the decision right around this time to not pursue ADP based on the cost benefit analysis. Perhaps there was another meeting and I just don't remember that Shawn and I shared with people, maybe, as we tried to level set. But Laura's email seems to tie ADP to the PUP directly. That wasn't the only reason, so ...

Q So if you go back and you look at her prior email in the chain on Page 2, to Gwen Tarpley and others, in the middle it says, "It was my understanding the move to ADP was happening due to the PUP implementation, which was also the reason for the accelerated deadline."

A Uh-huh.

Q Was that true?

A It helped push the deadline, but we still had -- according to ADP, we should have it done by end of year so it would be a clean break between December 31st and January 1st so they could assume payroll. They said it would be much more difficult to assume it later in the year. So there was time

pressure, but not just because of PUP implementation.

Q What was the connection between the project to convert to ADP and the PUP?

A The only connection is the one I mentioned where Melissa said it might add a layer of privacy. I don't know what Laura was thinking or assuming in this email.

Q Was it part of the office dialogue that the ADP conversion and the PUP were somehow connected?

A I discussed it with Robb Mack, I know. I don't believe we ever discussed it in other meetings. We could have.

I know payroll -- Gwen is an outstanding payroll manager, and she had a lot of concerns about this process, and she's worked with ADP before and understood how the -- what kind of service they could provide. So she just pushed back on, you know, why are we doing this, why so fast. And it could have come up in those discussions, I just don't remember.

Q What was the answer to those questions?

A What I just said to you, we have to accomplish it by the end of the year. The PUPs are part of that. If they're implemented, people have to make their choices early in the next calendar year. So it did play a role in it, in the timing of it.

(Exhibit Number 27 was marked for identification.)

BY MR. WEDEKIND:

Q Exhibit 28 [sic] is an email from Carol Higley to Ryan Wannemacher, dated December the 2nd. And it's titled Meeting with Laura Gutteridge Años. It looks like a fairly substantial one-and-a-half-page narrative about the issues that Ms. Gutteridge Años was raising.

MR. MCLAUCHLIN: You called it Exhibit 28. I believe you're on Exhibit 27.

MR. WEDEKIND: You're right. I'm sorry. Thank you. Exhibit 27.

BY MR. WEDEKIND:

Q Do you see that?

A I do. I'm sorry. Yeah.

Q What was this all about, if you recall?

A As I recall, Ryan Wannemacher, who is -- was ultimately Laura's boss, was upset with the way she approached it by sending a blast email to everyone; why not come to him, why not come to Russell with the concern as opposed to sending an email to everyone.

And apparently, if it rose to this level, I'm guessing it had been an issue before, perhaps. So they wanted to have a coaching conversation with her.

Q Okay. So --

A I think it was more about her approach than it was the issue itself, although it says "we're here to discuss, you know, your issues and your concerns."

Q Right. So she raises a concern about ADP and the PUP, and she gets called into a meeting and has to explain herself to the CFO because he's disappointed in how she raised her concerns?

A Well, as I said, I think it was an ongoing concern with her. They had some other conversations. I won't swear to that. Carol could probably -- Carol is the HR business partner that supports finance, so she would have been assisting Ryan with this.

If you're -- and I'm going to make an assumption. If you're getting to some idea of retaliation here, I don't think it was that. I think it was purely a coaching conversation about how it was handled.

Q Okay.

(Exhibit Number 28 was marked for identification.)

BY MR. WEDEKIND:

Q Exhibit 28 is an email from you, announcing the termination of the letter of engagement with ADP, dated November 22nd, 2019?

A Yes.

Q So this was a few days after JEA decided to postpone the PUP?

A Yes.

Q Were those two decisions connected in any way?

A Oh, I'm sorry. I was reading.

Q Go ahead.

A You asked if the decision to terminate the PUP was related to the decision to terminate ADP?

Q Vice versa, but yes.

A Okay. No. I don't remember the date we met with Melissa, and it was Shawn, Ryan Wannemacher, and I that met with her with that three-page document.

She was willing to go ahead and look at ADP if there was a cost savings, regardless of the PUP. And we just determined it would not be cost effective. So there was not a direct correlation between canceling one and canceling the other, although they happened within days of each other.

Q So the timing is a coincidence?

A Honestly, I think it is, because I had actually given that to Melissa, that document, maybe a week before; reminded her of it. She said, yeah, I'll get to it.

So it was at least a week after that that we finally sat down and talked. But Shawn and I basically

had it in our heads that we weren't going forward with ADP at that point.

Q Before the decision regarding the PUP was made?

A That's right.

Q Do you remember having a meeting with Robb Mack and Gwen Tarpley in mid-October about the ADP project --

A I'm sure I did.

Q -- in which Ms. Tarpley expressed some of her concerns about the ADP project?

A Yeah. I think I referenced it earlier. I wasn't sure when.

Q She says that she told you that outsourcing payroll for the appointed employees to ADP didn't make sense, and that you told her, I can't tell you all of the details.

Do you remember saying that to her?

A I don't. If she said it, I believe her.

Q Do you know why you would say that to her?

A I didn't have anything to hide. We'd already discussed the fact that they would be doing the PUP deductions, so no. Honestly, I don't know why I would have said that.

Q She also said that you told her during this

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meeting -- and I'm paraphrasing. These are not quotes. But basically that there was a program coming out called the PUP where the distribution of units would not be equitable.
Do you remember having that conversation with her?
A I don't remember, but that makes sense.
Q Why does that make sense?
A Well, because I knew there would be different levels. I didn't know what those were, but I did know there would be different levels of allocation, depending on your role in the organization.
Q And the allocations that you looked at were not equitable?
A I didn't look at any. I just knew the plan was that they would be at various levels, yeah.
Q Ultimately, how much did ADP charge JEA for the work in connection with this project?
A I honestly don't know that they did. I remember it -- it may have been when we were doing some discovery work, I'm not sure, but I asked accounts payable how much -- I don't remember how it came up, but I said, what did we pay ADP; I want to make sure they got paid for -- because we had that go/no-go point.
And they said, we haven't paid them anything.

So I asked Robb to follow up on it, and I don't know that I ever got an answer. So I don't know if they charged us. They may have, given the publicity, just stepped away from it, I don't know. And it would have come out of Shawn's budget, too, Shawn Eads' budget, the IT budget.
(Exhibit Numbers 29 and 30 were marked for identification.)
BY MR. WEDEKIND:
Q I am handing you Exhibits 29 and 30.
Exhibit 29, the first document, is a repeat of a prior exhibit. It's an email from Pat Maillis to you, attaching some Willis Towers Watson materials for the comp committee meeting in April -- the email's in April, the comp committee meeting is later.
A Right.
Q This is the email where she said Aaron doesn't have a contract?
A Correct.
Q Okay. So these are draft PowerPoints that are being prepared, it looks like, by Willis Towers Watson.
A Correct.
Q Okay. If you look at Page 13. It's dated April 22nd, entitled, Discussion Draft. This is a Willis Towers Watson work product. It talks about the

Compensation Benchmarking Summary, and it shows the Market 50th Percentile Variances by Job Level.
Where did this data come from?
A It was internal to Willis Towers Watson, based on all the survey work they do and their market data. And they would have had our base salaries to plug into that.
Q I see. So when they talk about being market 50th percentile, what do they define as the market?
A Typically, it's kind of two markets. One is the geographic market; Jacksonville, North Florida. The other is the industry market. The utilities are the industry -- in the energy industry, or even broader, maybe with industry manufacturing, something like that.
So they look at the market from different perspectives, geography and industry, and derive their ranges based on that.
Q Do you know what specifically the market they had defined for these figures is?
A No, no.
Q Do you know whether they were limited to a public sector or a private sector?
A Oh, no. I think -- it may be also in here. I think they shared -- in something they shared investor-owned utilities as well. That may have been

the CEO's compensation, because they did a presentation on that, which is probably in here somewhere.
But I think they -- when you look at market, you look at -- when you look at the industry market, you have to look at the whole market which would include investor-owned utilities --
Q Would --
A -- knowing they probably wouldn't pay as high. I'm sorry.
Q Would it also include other private companies outside of the utility industry?
A I doubt it, but I don't know. I think they probably restricted it to the utility industry.
Q If they didn't restrict it to the utility industry, would it result in higher figures?
A It depends on what industry they would include. I think everything I saw was based on the utility industry.
Q If you turn to Page 24, this is the Willis Towers Watson Long-Term Incentive Plan Design, Market Practices Summary. And it says, Design Aspect: Prevalence, and it breaks down the prevalence of these types of plans among different sectors. The first is public power, the second is IOUs, or private companies, and then the third is the broader utility industry,

generally speaking.
And if you look in Prevalence under Public Power Utilities, it says, "LTI plans are uncommon, but used selectively."
A Yes.
Q Whose words are those?
A Willis Towers Watson.
Q I think I remember you telling me before that the word that they used was rare.
A It may have been uncommon. But it may have been -- I know there's -- you know, maybe in this other presentation, and I'm sure we'll get to it, but I believe that word changed between two of the presentations.
Q And how did that word change?
A I honestly don't remember, and I know that's been a point of contention.
Aaron did ask for the PowerPoint and had some suggested edits that were sent back to Willis Tower Watson, and I believe they accepted most, if not all of them. So I don't know if he changed it. I don't know if they changed it.
Q Okay. So it's possible that Mr. Zahn received a draft of this report and made his own edits to the language of Willis Towers Watson's report?

A Correct, but it did go back to Willis Towers Watson.
Q And they -- maybe they implemented the changes --
A Right.
Q -- that were made by Mr. Zahn?
A Yes.
Q Okay. If you look at Pages 31 and 32, it lays out the Proposed Compensation Adjustments by group.
Could you walk me through what these tables are showing us?
A Well, the first table -- well, obviously, it lists the employee classifications on the left, the level. The first table of Target Bonus shows what JEA's short-term incentive plan is. Then they say what the market figure is and their proposal, their recommendation for what it should be or what -- I'm sorry, what they are recommending.
The second column -- or, actually, the third is the Long-Term Incentive Opportunity, and they show that typically it's only offered to executives and directors, at those levels, and they proposed their own levels down to the bargaining units.
And then the third -- or fourth column, actually, has the Total At Risk Compensation which is

anything other than base salary, whether the short-term and the long-term programs.
Q And so why did Willis Towers Watson recommend providing managers, individual contributors, and bargaining units with an LTI opportunity if none of their other peer groups did it?
A I think that was given to them as a condition. Again, this was before my time, but I think it was always intended -- and I understood that was because of the Florida statute, that everyone would be eligible for the program.
Q And by the Florida statute, you mean 215. --
A 215 --
Q -- 425?
A Yes.
Q So that's what Willis Towers Watson was basing all of their recommendations on?
A I don't know if they were basing it on that or were just told, we want to -- JEA wants to include everyone. I don't know what was told to them.
Q And then below that it says, "Estimated Cost Impact: LTI cost, $4,000,000 based off current incumbent base salaries for performance unit award."
So that's what Willis Towers Watson believes the total cost of these LTIs would be?

A Seems so, yes.
Q How would they calculate that figure?
A They have our salary information. We shared that with them as part of the consulting agreement. And based on their percentages, I imagine, they took those percentages of salaries and number of employees in each and came up with that number.
Q So what's the Target Bonus Cost?
A Where are you? I'm sorry.
Q Right above that.
A That's the short-term incentive -- oh, these are the incremental costs if you read, "The estimated incremental cost impact of the proposed target bonus and LTI adjustments" -- well, for LTI. It wouldn't be incremental because it hadn't existed before.
Q Right.
A So apparently the changes they're recommending to what JEA calls pay for performance would be a $4,000 incremental increase if we adopted the rest of their recommendations.
Q But in order to calculate the LTI cost, you'd have to know what the target was; correct?
A I think they were just -- based on their knowledge, were just taking percentages of salary as a target and not necessarily knowing what JEA would fold

into the plan that the targets would have to reach.
Q But in order for it to be a cost, there would have to be a payment made for the performance units?
A Well, that's -- I don't know if cost means the payout or cost means the purchase here. I would think it means the payout.
Q Right.
A Yeah.
Q And the only way for there to be a payout is if there's a target goal and that target goal is either met or exceeded?
A Right. But what I'm saying is, I think all they did was take their recommendations as a percentage of salary and say that's the target, without necessarily knowing what finance would have made the targets.
Q Okay. And then underneath at the bottom there, it says, "Market data provided by JEA."
Do you see that?
A I do.
Q Do you know whether or not Willis Towers Watson did any of their own independent analysis or just accepted JEA's numbers?
A I don't know.
Q Okay.
A I would have thought they would have done

their own.
Q So this -- the data included in these charts is JEA's data --
A Well, I don't know what they mean by market data, either. Pat Maillis would be better able to answer this than I. But we participate -- JEA participates in surveys on an annual basis and makes sure we are -- or at least try to define where we are in terms of our pay ranges. And she does a very good job of that.
So they might have looked at it and said, yes, this is acceptable. It wasn't anything arbitrary we were given. It would have been based on the surveys and the agreements we had with the various other -- some of their competitors, some industry organizations that share information.
Q Going back above the chart, it says, "The proposed incentive adjustments are intended to partially close the gap to market with the intent of moving to market within two to three years, depending on market movement."
A Uh-huh, I see that.
Q So the concept is, your total -- your total compensation would be closer to 50 percent if we --
A If we took these incremental steps to adjust

the incentives.
Q Right. And by also including LTI to begin with, whereas before there was not?
A Yes.
Q So, clearly, Willis Towers Watson is considering the long-term incentive as a part of compensation?
A It would seem so.
Q In fact, at the very top of this page it says Proposed Compensation Adjustment?
A It does.
Q That would be a good indicator; right?
A Yes.
Q Okay. Okay. So then you've got the Total at Risk Compensation. It says for the executive level, currently at 10 percent, the market's 83, and then Willis Towers Watson is proposing to move us to 50 percent?
A Yes.
Q Okay. So then if you go to the next page, Page 32, it talks about market positioning weighted by jobs. And, again, you see the note at the bottom, "Market data provided by JEA"?
A Yes.
Q So what is this chart telling us that's

different from the chart on the prior page?
A This, as I understand it, shows, based on their proposed adjustments, their recommendations, where JEA would be versus the competition versus the market if JEA adopted what they recommended. So the average target bonus, you see the proposal. The total, for instance, 6 percent, whereas the market's at 12. So it just shows you where JEA would be relative to the rest of the industry.
Q Okay. And this is the incremental levels -- or the incremental approach that Mr. Zahn was extremely frustrated by?
A Yes.
Q He wanted to get there much faster?
A Yes.
Q Okay. So let's turn to Exhibit 30. And we can keep 29 out because we're going to do a little bit of comparing.
So Exhibit 30, it looks like it's the same document. It's sent by -- well, excuse me. It's sent from David Wathen, who's at Willis Towers Watson --
A Yes.
Q -- to Pat Maillis, you, and other folks.
This is now May 9th. So we're a bit further along in the process; two weeks or so. Right?

A Yes.
Q And as you can see, you've got a discussion draft. The date's changed on the front. But if we go back to the charts that we were previously looking at from the April --
A 31.
Q -- 22 version -- well, let's not go quite that far yet --
A Okay.
Q -- because I think there's an important change in the way that the long-term incentive plan is described.
So if you go to Page 24, whereas on April 22nd, Long-Term Incentive Plans for public power utilities were described as uncommon but used selectively, now it just says they're used selectively.
A Yes, I see that.
Q What accounts for the change in language between the two reports?
A I am making an assumption that it is the feedback Aaron gave us, but I don't know.
Q So Mr. Zahn apparently wants to de-emphasize how uncommon these long-term incentive plans are within the public power utility space?
A Apparently.

Q Why would he do that?
A I don't know.
Q Would you agree that the description appears to have changed to make it seem more common in the later version of these documents?
A Well, certainly removing the word "uncommon" doesn't speak to how rare it is. It just says -- this implies that some choose to use it and some don't, so ...
Q All right. Okay. If we could go to Page 31 of both documents and we can compare these for a second.
It looks like there's some significant changes that are made, not just to the chart but also to the narrative. And it says, "Whereas the description of the proposed incentive adjustments are intended to partially close the gap," it is changed now and it says, "When material gaps to market exist, typical market practice is to make incremental adjustments -- to close the gap to market. Company performance, cost considerations, and stakeholder optics will influence the level of pay adjustment and the timeframe over which pay is brought to market."
Do you know who made those changes?
A I believe it was Towers Watson that did.
Q And then if you go and look at the numbers in

their chart, instead of talking about incremental adjustments, we have huge changes. So if you look at -- just under the Target Bonus Percentage, on April 22nd, for an executive, the current bonus percentage target was 10 percent, the market was 43, and Willis Towers Watson's proposal was 20 percent. That is then updated to 45 percent.
A Yes.
Q That's a material change, don't you agree?
A I do.
Q Who made that change?
A Willis Towers, but, again, I believe it was based on Aaron's input that he didn't want to move incrementally.
Q So Mr. Zahn is telling Willis Towers Watson what Willis Towers Watson needs to be recommending to JEA?
A It would seem so. And I apologize. I was still fairly new here and honestly hadn't come up to speed on where we were and what was being proposed. So I think a little further along in my tenure, I would have had a better handle on this.
Q Mr. Zahn was not copying you on his correspondence with Willis Towers Watson?
A I don't remember any that I was copied on, if

he had direct correspondence. I thought he generally worked through Pat, but I don't know.
Q If you look over at the next table, it says LTI Opportunity, and the proposal in April is to get the executives to 30 percent. That's changed to 40 percent?
A Yes.
Q And then, strangely, the percentages of all of the levels below that -- well, at least a couple seem to change too. The director level originally was 15 percent. That is decreased to 5 percent.
A I see.
Q Why -- if Mr. Zahn is wanting to -- is wanting to jump ahead and boost all of the employees' total compensation, why is he taking a recommendation that the director levels be given a 15 percent LTI opportunity and decreasing it to 5 percent?
A I don't know.
Q That seems like that would be they're in a worse position?
A It does.
Q Would the fact that the PUP numbers were limited mean that, if the directors received a fewer percentage of PUPs, that would free up the greater number of PUPs for the executive level to acquire?
A It could mean that, yes, yes.

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Q So what could be happening here is, despite Mr. Zahn's statement that he is working for the benefit of all employees, it appears that he is attempting to increase the amount of PUPs that would be available to the executive level at the expense of the director level?
A Speculation, but, yeah, I see the appearance.
Q If you look over to the next table under -- what's entitled Total at Risk Compensation, the proposed percentage at the executive level changes from 50 to 85 percent. That actually puts it over the market which is at 83 percent?
A Yes.
Q And then the director level is 25 percent, which remains unchanged, and --
A And just as a point. It does -- even though the director's number was decreased in the LTI and the short-term incentive, the recommendation was to double it which is more cash in your pocket more immediately, just as a point.
Q Right. So what --
A So, overall, it comes to 25 percent.
Q Right. So what we're looking at here is Mr. Zahn doing a tradeoff. He's wanting to increase your -- well, the director level's opportunity to get a

short-term bonus in exchange for a decreased opportunity to participate in the PUP. That's the tradeoff; right?
A It looks like it.
Q And so Mr. Zahn, knowing what he knows about recapitalization and the effect that that will have on the PUPs, is throwing the bone to the directors so they won't complain while he makes millions of dollars?
A And I want to say -- I know you're saying Mr. Zahn. I'm not sure how these came about definitively. I think he recommended changes, and they made them, but --
Q If he had an email that has a PowerPoint attached to it and the meta data indicates that it's revised by Mr. Zahn, that would be a pretty clear indication that --
A It would. I'm just saying I don't know that definitely.
Q I understand.
A Yeah.
Q And then at the bottom, the LTI cost also changes. It changes from 4 million to 3.4 million.
Why does the LTI cost actually decrease?
A I would guess it's attributed to that drop of the director level from 15 percent to 5 percent. I'm guessing that makes up that dollar difference there.

Because even though the SLT went up to 10 percent, it's a smaller population.
Q That makes sense.
(Sean Granat leaves the deposition.)
BY MR. WEDEKIND:
Q So then if you look on Page 32 of both documents, again, you see the narrative has changed in that, "All levels approximate or exceed the market median for target TDC."
What's TDC?
A Total -- let's see. Total compensation. What's the D stand for?
Q Direct?
A Maybe. I'm drawing a blank. I'm sorry.
Q Anyway, that figure means total compensation?
A Yeah, that's what I would say.
Q So the Willis Towers Watson report that is being presented to the board is talking about compensation because the philosophy is the total compensation philosophy that this is attempting to address?
A Correct.
Q And then the Average Target Bonus Percentages are all changed as a result of the changes on the prior page; right?

A Yes.
Q And then you'll see how, with the new proposals, it appears that -- if you go over to the very far right-hand column, the Proposed Target TDC Variance, Median, it indicates that at every level, there -- JEA's either above or within 2 percentage points of the median?
A Correct.
Q The biggest change is at the executive level which went from minus 20 percent to minus 2 percent?
A Yes.
(Discussion off the record.)
(Recess taken from 1:46 p.m. to 2:01 p.m.)
(Exhibit Number 31 was marked for identification.)
BY MR. WEDEKIND:
Q I want to go back to the ADP issue that we were talking about earlier. I'm handing you -- okay. I'm handing you Exhibit Number 31. The exhibit is a little strange because it seems to have two first pages that are identical. So I just point that out to you, which is kind of what I was struggling with.
A Okay.
Q But this appears to be an email from Brian Motsett, who is your contact at ADP, to you,

October 17th, and it's asking for a call to talk about some things. But it's in response to an email that he received from Shawn Eads --
A Shawn, uh-huh.
Q -- right?
And Shawn's email is talking about, you know, what a busy time it is and, apparently, you know, both of you are trying to figure out what to do with this process. And Shawn is being very direct with ADP, as he says that he is, because -- and this is the point.
"Jon and I" -- meaning you and he -- "are on the hook with our president and CEO. They have asked us daily about this and our confidence in success. I look forward to discussion."
What do you mean by that?
A It's a little bit of hyperbole. We actually discussed taking a good cop/bad cop approach because we weren't getting what we wanted from ADP. So Shawn was kind of the heavy -- Melissa was asking, hey, how's it going? That's it about.
I don't recall Aaron ever asking about it, but I think Shawn was being very direct and blunt because he was used to negotiating these type of things in the IT world. So he was sending a message that we need to get moving, basically.

Q But you don't remember Mr. Zahn ever following up with either you or Mr. Eads about this, or at least not you?
A Not me. I don't remember, no.
Melissa did ask, how's it going, you know, and I'd just say, we're having the discussions, we're answering questions, we've hit some glitches, things like that.
Q Did you know whether or not Mr. Zahn was ever putting pressure on Mr. Eads outside of your sphere?
A I didn't gather that he was, but I don't know.
(Exhibit Number 32 was marked for identification.)
BY MR. WEDEKIND:
Q All right. Exhibit 32 is, I think, some handwritten notes from your hard copy file.
First of all, I just want to confirm whether or not that's true.
A That's my writing.
Q Okay. At the very top, dated June 24th, what is that mark next to 6/24?
A The word?
Q Yes.
A It might be "not". It might be an abbreviation.

Q What about 3-4?
A I think we were going to talk from 3:00 to 4:00 maybe.
Q Who is that?
A Jim Linn.
Q And what is Jim Linn's role?
A I'll probably get them mixed up, but Jim is an actuary, I believe, that worked on the St. Johns River Power Park pension plan, although I could be confusing him with another actuary who works with the City. And it was to talk about the pension reform.
Q So nothing to do with the PUP?
A No. No.
Q Did Jim Linn ever have any involvement with the PUP?
A No, not that I'm aware of.
Q If you go down -- is this just a running list of your day-to-day notes?
A I think it -- yeah. It just came out of my -- a notebook I no longer have, but I pulled out things where I felt I needed to save something to talk about --
Q Okay.
A -- or to refresh my memory.
Q If you go down to the 6/27 section, it says, "Met with Kevin Hyde."

A Uh-huh.
Q "Call with Rizzo, how city will respond."
What does that mean?
A Rizzo is another actuary of one of the pension funds. City of Jacksonville pension office, we wanted to make sure they were good with everything we were doing, talking about pension reform. We were working hand to glove with them because it was such a big deal.
Q It says underneath that, "Concerned with OGC and contract attorney."
Who is concerned with OGC and contract attorney?
A I don't know. None of this references the PUPs. It was all about pension adjustment. So I don't remember why I wrote that.
Q Okay. So none of these notes --
A Exactly --
Q I'm sorry?
A I just said that was almost exactly a year ago.
Q But none of these notes have to do with the PUP?
A No. At this point, it's unfunded liability. We're talking about the pension in all of this.
Oh, here we go. Jim Linn -- Jim Rizzo was

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with GRS, so two different companies they worked for.
But, yeah, I'm sorry; all pension, which is why I guess I kept these.
That is what consumed my attention in August after the July board meeting, the last week of July and August.
Q You moved on to pension reform?
A Yeah. It was huge, and it was all anyone was talking about in a series of meetings with the pension board, the pension advisory committee, city councilmen, city council committees. And we were doing union negotiations at the time, too.
(Exhibit Number 33 was marked for identification.)
BY MR. WEDEKIND:
Q I'm handing you Exhibit 33. Are these also your notes?
A These were typed up, based on conversations, yes.
Q And these predated your employment at JEA?
A That's correct.
Q Okay. So they were typed up as part of your interviewing and onboarding?
A You can see my writing leaves a lot to be desired, so I -- while it's fresh, I type these up.

Q And it looks like -- if you go down to Melissa, I'm assuming that's your conversation with Ms. Dykes that you talked about earlier?
A Correct.
Q Her priorities are strategic planning, collective bargaining, and compensation strategy?
A Yes.
Q So Melissa's priorities before you even began were the strategic planning process and the long-term incentive plan?
A No. I mean, she knew the compensation strategy was being discussed. I guess it was one of her priorities. I'm sorry, so the answer is yes, it was a priority, but I wouldn't say the long-term incentive plan per se. I think it was the total compensation plan that we were looking at, including the base salaries and the short term.
Q In fact, it says, "She's not optimistic on the ability to offer long-term incentives."
A Right.
Q Do you remember what that conversation was about?
A Not specifically, and I don't know that she referred to anything specifically, so I can only assume maybe state law before it had really been looked into

being a public utility, I don't know.
Q But at the very least, it seems like she told you she's not optimistic on JEA's ability to even offer this?
A Right.
Q Do you know when she changed her mind about it?
A No.
Q Between then and the July 23rd board meeting?
A Well, I don't know if she became optimistic or not, you know, but I ...
Q She was at the July 23rd board meeting?
A She was, yeah.
Q If you go up, you have -- under -- it looks like there's a specific date you met with Ms. Dykes; on April 18th, 2019?
A Uh-huh.
Q And you have a list of your questions; right? And among them is a bullet point list: Restructuring, compensation, sale or co-op, or question mark.
What are those from?
A I had already talked to Angie prior to this, so she just listed some of the things, either concerns or things that were ongoing or could be coming up. So I wanted to ask about them.

Q Under Climate/Culture, you say, "I can do the job but..."
What do you mean by that?
A I don't know now. I know they had done a climate survey through a third party -- through McKinsey and it had come back with horrific results. So I think I was probably referencing the fact that I've been in places where we've helped turn the culture around, but this looks pretty bad.
Q Under Sub 3, it says, "Aaron Zahn - report to you."
What does that mean?
A I probably asked, do I report to Aaron or do I report to you. I understood I reported to her, but I wanted to clarify.
Q Okay. What were you told about the sale or co-op of JEA?
A Nothing definite at the time. I mean, I honestly don't remember that piece of the conversation or much of it, but she told me that they were looking at this -- what I came to know as the status quo, and anything they could do to make changes, charter changes, perhaps a different structure. So just a general discussion that there might be changes in the future.
Q It said that -- on Number 6 on Page 2, it

says, "AH" -- which I assume is Angie Hiers -- "recommends that CHRO reports to CAO."

What was that conversation?

A Just Angie felt too -- as I recall, it was -- Melissa had a lot of direct reports, and in a lot of organizations, the head of HR reported -- if there is a CEO -- CAO, HR reports to that. So Angie had said that's a possibility, but it didn't happen.

Q And that was Mr. Vinyard?

A Yes, who had just started, I believe, maybe a month before I did.

Q April 2nd, I think, was his first day.

A Okay.

Q If you look under Sub 8, it says, "Long-term incentive plan. Towers Watson tried to discourage them as most public utilities don't have them. Florida statues" -- which I assume means statutes --

A Statutes, yeah.

Q -- "require everyone to be included. Herschel says JEA really shouldn't offer a short-term incentive. Ryan Wannemacher has numbers."

So where did all this information come from?

A This was my conversation with Melissa, some of which we covered. Towers Watson said -- I didn't remember the discourage comment, but obviously they're

rare, they're uncommon, those words. And she mentioned that the statute, obviously, included everyone. It wouldn't be just executives.

I don't know why Herschel felt we shouldn't be offering a short-term incentive. I know she just mentioned that. And Ryan was looking at the potential numbers, which I think is where that spreadsheet came from.

Q And that's the PUP allocations and values?

A Yes. I'm assuming that's what that meant.

Q Okay. It would be -- "it will be rough sledding-it's 24/7."

A Expect a lot of work. You know, you'll get calls at all hours, and that's true. I had safety under me, and if there was an injury, a burn, anything like that, I would get calls. Melissa was famous for ignoring the clock and calling and asking questions, so ...

Q Was that true because of the job and what JEA is, or was it true because of all of the different things that were going on at this time?

A I think it's JEA and Melissa's personality.

(Exhibit Number 34 was marked for identification.)

BY MR. WEDEKIND:

Q Exhibit 34 is "Discussion Plan - Julio," which I presume relates to Julio Romero?

A Correct.

Q What can you tell me about Mr. Romero's time at JEA?

A He had probably been there six months when this happened.

Q What happened?

A He was let go. He was terminated. Aaron called me in and said -- and someone else was in the office. It might have been Ryan, which seemed odd at the time, but -- because I think I even said, you want to talk about this now? And he said, sure.

So he said, Julio is not doing his job. He's failed to meet what I've laid out for him.

And I, being the HR guy, said, what have you laid out for him?

And he showed me, and he had five or six things he said he expected him to do and he had given that to Julio early on. And Julio had not been doing them. And Aaron had kind of documented that he hadn't, but some of it I knew to be true, too.

He was in charge of the whole relationship with McKinsey, which was SQ and SQ2, and apparently had

pushed a lot of that work off on other people or didn't do what he was expected to do.

And Aaron felt, I just want to cut my losses, let's -- he's not performing. Shawn was there to do technology. We don't really need an innovation officer at this point. So I want to let him go.

Q That was a job that was created just for him; right?

A I know it was created by Aaron. I don't know if it was created with Julio in mind, but yes.

Q My understanding is that Caren Anders and Julio Romero both applied for Caren's position as the VP of energy. They selected Caren, but they liked Julio so much they created a new position for him.

A I learned something.

Q That's what I understood.

A Yes.

Q What did Julio tell you as part of the termination process?

A He said he was ready to quit.

Q Why?

A I think he was -- a lot was more personal. He was separated from his family. They were still back in Houston. Didn't look like the prospects for moving were going to come through any time soon.

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(Discussion off the record.)
THE WITNESS: I'm losing my voice. Excuse me.
And I don't think he was happy in the work. He didn't necessarily admit to not doing it, but I think he realized this was coming as well. His attitude seemed to indicate that.
BY MR. WEDEKIND:
Q What did he say to you about Aaron Zahn?
A Nothing that I recall.
Q No complaints about the way that he was managed by Mr. Zahn?
A No.
(Exhibit Number 35 was marked for identification.)
BY MR. WEDEKIND:
Q I'm handing you Exhibit 35 which I think are handwritten notes from your file. First of all, is that correct?
A Yes.
Q Okay. What are these notes in relation to?
A It looks like the SLT employment agreements.
Q At the top it says "cause, good reason." And it looks like it's kind of outlining what the issues are with --
A Right.

Q And then if you go to Page 2, it says, Remove footnotes?"
What does that mean?
A These were written when Aaron was terminated because it refers to 12 months not likely. I don't know if these were discussions with OGC that I had. And Sean might be able to -- Sean Granat might be able to answer that. But I was taking notes on what was in his contract.
"Remove footnotes," I don't know what that means.
Q What about "all items TCS?"
A Total compensation statement. The rider -- not the rider. The addendum that specified the consulting agreement to each contract was based on total compensation. So you took the employees' most recent total compensation statement and added three months based on that. So it wasn't base salary. So you had to do an all in on that.
Q And this figure was what, do you remember, the 5 --
A I think that was his salary. He was making over 500,000, his base, so --
Q Do you know -- sorry.
A No, I'm sorry.

Q Do you know whether or not public employees are permitted to receive retroactive salary increases?
A I have heard since that happened they are not.
Q Do you have any independent opinions on whether that's true or not?
A No. I can't remember who I heard it from, but -- I don't. I mean, if it's the law, it's the law, so ...
Q Do you remember there being any discussion about the retroactive salary increase in connection with Mr. Zahn's July 23rd employment agreement?
A I remember the discussion and that it was approved.
Q Was there any discussion about the retroactive application of his salary outside the presence of that board meeting, that you know of?
A Not that I was a party to, no.
Q All right.
(Discussion off the record.)
(Recess from 2:22 p.m. to 2:44 p.m.)
(Exhibit Number 36 was marked for identification.)
BY MR. WEDEKIND:
Q Handing you Exhibit 36 which is an inter-office memo or correspondence dated October 3rd,

2019, signed by Jenny McCollum. It identifies you and Shawn Eads, Joe Orfano, Juli Crawford, and Jordan Pope as designees for the ITN.
What exactly was this?
A This -- as I understand the procurement process, and I am by no means an expert on it, for one of this scope, typically an evaluation committee is appointed, and we were appointed to that. And what it meant was, we looked at the respondents' information. They were given the ITN, invitation to negotiate. A lot of minimum requirements and whatnot in there.
We graded them based on how they met those minimum requirements. We did it independently. We didn't talk to one another. In fact, I worked from home a day or two just to kind of go through them without distractions. They -- I think 17 or so responded. 13 made the cut based on procurement, and then we took those with us in a lock box, and actually opened it and went through them and evaluated it.
Q So was this evaluation a subjective one or objective?
A I would call it more objective because we had the minimum requirements, and we graded them -- we -- actually, I ended up having a conversation with John McCarthy and a procurement attorney from

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Foley & Lardner, I believe, who is based in Tallahassee, an expert, to talk about my methodology. And he said, as long as you're consistent, your scores -- he didn't say don't really matter, but if you're consistent in how you evaluate.

So it was based on the minimum requirements of the ITN, but then if they seemed to exceed those, you could give a higher score. If they didn't meet them at all, you could give them a lower score, so ...

Q When you were grading these various bids, was it a blind? Did you know whose bid you were grading?

A Oh, no, you knew who the respondents were.

Q And then why do you think that this group of people were selected to handle that process?

A It would be speculation, but I think they wanted, one, people outside of the procurement process. They didn't want the senior-most people in the organization doing it. They wanted to bring perhaps some fresh faces to it.

Shawn and I, neither one had been there very long. The other three had been there. But, again, I'm speculating. I'm not sure why they chose us.

Q Did anybody ever tell you why you were selected for this?

A No.

Q So you spent a few days evaluating all of the 13 bids?

A I think it was 13, but whatever it was.

Q Give or take?

A Yeah, yeah.

Q And then did you meet with the other members and --

A No. I'm sorry. No conversation between us until after it was over. Shawn and I chatted a little bit about it. I was probably closer to Shawn than anyone on the SLT, so he and I talked a lot, but nothing before our scores were revealed publicly. Just the meeting that we shared the scores and who made the cut, so to speak, I guess.

Q Okay. So each of you independently evaluated all of the bids and then somebody combined all of their different data into a scoring matrix --

A Yes.

Q -- and then ranked the bidders according to that?

A Yes. And I think that was Jenny. I don't know.

Q That was Jenny's job?

A Jenny McCollum, yeah.

Q She reports to?

A John McCarthy.

Q What is his title?

A Chief supply chain officer. I saw it there. I couldn't remember it earlier.

Q So other than that, did you have any other role as part of the ITN process?

A Yes. Every member of the SLT did. As those respondents were qualified to pursue the bid, they had a lot of questions. We established data rooms. We answered questions. We put a lot of data out there. I actually tasked Carol Higley on my team with kind of coordinating that, but there was a lot of just grunt work, gathering information, answering questions, getting it in the data room. And then we prepared presentations for the infamous Atlanta trip where we met with the respondents and --

Q Did you attend the Atlanta trip?

A I did.

Q And what did you present on?

A HR and safety.

Q Anything about the PUP?

A No. I don't think it was part of the presentation.

Q Did anybody present anything about the PUP?

A Not that I remember, no.

To expand a little bit, I mean, my part of the presentation was probably eight minutes long. I had to cover everything we had to do in HR and safety. So it was very high level.

(Exhibit Number 37 was marked for identification.)

BY MR. WEDEKIND:

Q I am handing you Exhibit 37. These were -- these are handwritten notes that were taken from your hard copy files.

Do you recognize your handwriting?

A I do.

Q Okay. Do you recognize these notes?

A These were personal notes I took in my conversations about coming back to work with JEA with Angie Hiers and Melissa.

And just to go on the record, had I known they were in the files, I would have removed them because I consider them to be personal notes, but I understand they were in my file.

Q All right. So on the first page is a list of the HR team?

A Correct.

Q Okay. And these are all of the people that ultimately became your direct reports?

A Most of them. I was listing the direct reports and just some folks I had worked with before.
Q Okay. Page 2, what is this on Page 2?
A This is a conversation I had with Angie on the phone when she first called and talked about Melissa being interested in talking to me.
Q Okay. And so this -- these are your notes of a conversation that you had with Angie Hiers?
A Correct.
Q About information that Angie Hiers was relating to you that you'd -- she thought you might need to know in connection with your employment decision as to whether or not to come to JEA?
A That's correct.
Q Okay. The second dashed point under "Timing" is, "Aaron" -- something -- "not okay."
A I'm sorry. I don't know what I wrote. Aaron -- I don't know. I'm sorry.
Q Aaron a dunce, not --
A No, it's not dunce. It could be a C-H. It could be a D. My writing is atrocious. I'm sorry.
Q Okay. Under that it says "caution."
A Yes.
Q "Don't expect to work a number of years."
What does that mean?

A Angie said, you'll burn out, don't expect to be here forever.
Q And then the next bullet point under "Caution" is "toxic environment."
What does that mean?
A She said it was getting to be an ugly place to work because of the other bullet points. It's a very political environment. As she said here, as you can read, Aaron not necessarily a nice person. She said the papers are true, and what she was referring to was just some of the stories about the hiring process for the CEO; that it just wasn't a good process.
Q What does that mean, it wasn't a good process?
A There's probably more here about it, but she felt it was -- the gist of the conversation was that it was going to be Aaron's job, regardless, so the process didn't really matter I guess.
Q So it was, in her words, a predetermined outcome that Mr. Zahn would become the CEO of JEA?
A Yeah. I don't know if those were the exact words, but that was the thought.
Q What do you think she meant when she said that the environment was political?
A Oh, just you deal with City Council and their calls about various things. And I think she also was

referring to the fact that the board had basically been replaced by the Mayor. Just the politics that are at play in an organization like JEA.
Q Ms. Hiers had strong words about Mr. Zahn?
A Yes.
Q She said, "Aaron not a nice person, psychopath, liar"?
A Those are my notes.
Q Do you remember what Ms. Hiers told you about Mr. Zahn?
A No, just that, that -- I just remember her saying he could be difficult to work with. I don't remember specifics other than what I jotted down here.
Q But presumably you wouldn't have made those notes if she hadn't told you that?
A Correct. Correct.
Q So at least in Ms. Hiers' opinion, Mr. Zahn was a psychopath and a liar?
A Apparently so, yes.
Q And she served him in the same role that you did?
A That's right.
Q During your time at JEA, did you find Mr. Zahn to be not a nice person?
A I did not. He could be abrupt, but he treated

me courteously. I know there was talk -- and I can't refer to a specific conversation -- that he had mellowed somewhat. So I may have seen a different Aaron Zahn than Angie did.
Q Did you ever hear of or know of any times where Mr. Zahn was abusive to a female employee at JEA?
A No.
Q Any times where you noticed or that you heard of his treating women differently than he treated men?
A No.
I will mention one incident. I don't know that it would fall under harassment, but Angie mentioned that, in a meeting somewhere along the line, Jody Brooks was reminding him of -- it's when she was at JEA before -- of the -- that everything is open to public records.
And he kind of responded, F public records, we need to talk about that, or something like that.
So I never saw that side of him, but -- and, again, I don't know that's harassment. It's certainly impolite. But that's the only thing I've heard of.
Q You did hear the story about Mr. Zahn dressing down Ms. Brooks, though --
A Yes.
Q -- about her desire to maintain public records

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at JEA?

A As I understood it, it was a reminder that, Aaron, everything we discuss here is open to public records. It wasn't to avoid public records. Just to remind you that, hey, whatever you're talking about is open to public records.

Q Did you ever find -- were there ever any instances in which Mr. Zahn was untruthful?

A Not that I know of.

Q The next bullet point under "Caution" is, "16th floor is miserable."

What does that mean?

A She just said that they were kind of unhappy on the floor because I guess it was a different style. Didn't always know -- and I'm going to paraphrase here. I don't remember the exact conversation -- what to expect. What was required of them, I guess.

It was -- and I didn't see that as much. I do think it probably had gotten better from the time Angie was there and when I was there. But she just said there was a lot of unhappiness on the floor because of the change in leadership, change in style.

Q What's the difference in style between Mr. Zahn and Mr. McElroy?

A I don't know enough of Mr. McElroy's style,

although he was the CEO when I was there before. I did not work directly with him.

He seems to be open -- you know, open to listening. Angie enjoyed working with him. She had known him a very long time. My take on him recently is a little different. Because it's such an odd circumstance with COVID and remote work. I felt I was being bypassed or not consulted. And I think a factor of it was him drinking from a firehose -- I know I used that phrase before -- in coming in, trying to come up to speed pretty quickly.

So it's hard to say, not having worked under Paul. I think he was probably a more -- I was going to say maybe more courteous, more gentlemanly, and Aaron perhaps more brash, if you want to put adjectives around it.

Q Are you aware of any issues that Mr. Zahn ever had with any African-American employees at JEA?

A I am not.

Q The next bullet point says, "McElroy, not his idea."

What does that mean, if you recall?

A I don't. Paul left kind of abruptly. I know that upset Angie in a sense. She felt abandoned. So I don't know if she's referring to some of the strategic

initiatives. I don't know. I'm sorry, I don't remember why I jotted that down.

Q The next bullet point says, "Aaron with Mayor, plot."

A Yes.

Q What does that mean?

A She felt that Aaron and the Mayor -- that Aaron had come in at the Mayor's request or insistence; that he had kind of manufactured the opportunity to get Aaron into that role. I believe that's what that means.

Q The next bullet point says, I think, "W/" --

A "Weekend, contacted board members."

(Brief interruption.)

THE WITNESS: What Angie was talking to me about at this point was the process bringing Aaron onboard, the interview process. I think there were three candidates. So these next few phrases -- I don't know who contacted board members, but somebody over the weekend did. Then you see -- might as well go to the next statement.

"April Green lied about an interview with Melissa." I don't recall what that meant exactly, if Melissa was or wasn't interviewed. She was certainly a candidate for the interim role. I know she didn't apply for the permanent role.

"AH" -- Angie Hiers -- "working with a search firm." I guess the charge -- the fee there was $80,000.

I'm not sure I remember what the next part means. "Aaron, why looking for a search firm."

BY MR. WEDEKIND:

Q Could it be that Mr. Zahn challenged Ms. Hiers about why she would use a search firm?

A I'd be surprised if he did because that was common practice, but that's the implication. I'm not sure exactly what I meant there.

"Asked for an addendum to service regarding interim transition, not from board. New search." Well, maybe he was recommending another search firm. I'm not sure.

And I'm not sure what it means -- and it's just the time that's passed -- "asked for an addendum to service regarding interim transition."

Q Would it be unusual for a candidate for a position to recommend a specific search firm to the respective employer?

A Yes. Again, I'm not sure if that's what I mean there, but that would be unusual.

Q The notes go on to the next page. It says something "including" ...

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A Transition services I'm assuming.
Q "Transition services. John McCarthy thought it was odd."
What does that mean?
A Well, it seemed to reference something about transition before.
This would be Angie talking to me.
The only transition was him serving as interim and transitioning -- transitioning to a new CEO. I honestly don't remember the reference.
Q Could it have anything to do with the transition services agreement as part of a severance agreement like is attached to the SLT employment agreement?
A I don't -- well, I don't know. I wasn't present at this time. I don't think so because I think that's the first time agreements like that were ever used in JEA's history, so ...
Q Going down, it says, "Howard, he accused her of going to" -- something.
A I think the "Howard" is independent. She probably made a reference to Alan Howard, and I don't know why I jotted that down. I'm thinking that "he accused her" is Aaron, but I honestly can't read -- "accused her of" and I crossed out "going to." I'm

sorry. I don't know.
And then "relationship got better." Her relationship with Aaron got better.
Q "But tried to keep search" --
A "Search out of press." Just try to -- tried to -- and I think that was Angie doing that, too. Just trying to not have it hashed out in public until it was -- I don't know. I don't know who was trying to keep it out of the press.
Q "Board was interested in candidates but were told to drop out."
A As I recall, there were some candidates that were told by someone, you're not going to continue in the process.
Q Who was that someone?
A I don't know.
Q Did Angie know?
A I don't --
Q She didn't tell you?
A She didn't tell me, no.
This -- the context of this was just Angie venting. I don't know that she had an opportunity to -- Angie and I have known each other 25 years and maybe she was just taking the opportunity to express some frustration, I don't know.

Then she described the interviews. There were three people in the room; an observer, a board member. She may have been the third person. I guess she was -- Angie or Jody. I guess Jody Brooks and someone from Heidrick who was a search firm.
And she had, based on, I guess, her input, had in her mind who her top candidate was. And some board member apparently said, "not comfortable with that." I don't know if that's the process or the candidate, and went to the chair of the search committee. And then she says, "Aaron was not asked anything." I think he was interviewed, but she felt it wasn't a meaningful interview.
Q Then it says, "turned into a co-op."
A That was the end of the interview discussion, and she just said -- I think she started talking about some of the strategic -- the status quo. We're looking at things like a co-op. We're looking at things like a RIF. You know, there could be some possibilities that I would face in that role.
Then La'Trece Bartley, who's an executive assistant and administer, I wrote "evil". I think La'Trece's impression was, spiritually, there was evil on the floor. Angie shared that with me. I don't remember who the "don't pray for me" was.

Q So La'Trece herself is not evil. She's sensing --
A She's sensing evil.
Q -- evil on the floor?
A Yes.
(Brief interruption.)
THE WITNESS: And I confirmed that, yes.
And then we shifted to a discussion of the HR staff and she said some of them did volunteer for the interim. And we talked about that because I wanted to know how comfortable or uncomfortable they would be if they got turned down for it.
And I think this next page probably was in front of these others, but I don't know. Just questions I had for Angie. You know, why now, why are you leaving now, what have you told Melissa maybe about me. I don't know. Is the interim a done deal if I want it. How is Melissa to work for.
And then that listed some of the challenges that you saw on the other thing that I typed up that I would ask Melissa about.
BY MR. WEDEKIND:
Q So moving on to the next page. It says -- it looks like a standalone page. It says, "bad press,

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ugly, unions are ready, 4:00 a.m. and weekends" --
A "Retirement statement."
Q What does that mean?
A I have no idea.
Q That's where I saw the --
A "Teach Humanities at Trinity." I think that's what Angie told me.
Q That's what she wanted to do?
A Yeah. She said, I'd like to retire and teach Humanities at Trinity.
Q There you go.
A That was it.
Q All right. And so on 4/18, this memo, it looks like these notes were written on a different pad. And if I had to guess -- I want you to confirm this -- these were your handwritten version of notes that ultimately you typed up that we've already gone through?
A That's correct.
Q Okay. It looks like they're all the same notes?
A Yes.
Q Okay. Did you ever sense any evil on the 16th floor at JEA?
A I did not, but I don't know that I'm perceptive that way, so ...

Q Do you know whether or not Willis Towers Watson ever included any co-ops in its definition of the peer group of JEA that they were evaluating?
A I don't know. They obviously broke out investor owned and public in that broader utilities group that could have included co-ops.
Q Did you ever attempt to independently verify any of Willis Towers Watson's work product?
A No.
Q Did you know that Mr. Zahn was actively revising Willis Towers's work product as it was being developed?
A At the time, no.
Q Why did you present Willis Towers Watson's report instead of having Willis Towers Watson present their report?
A I think it was an Aaron decision. I don't remember. I know Pat -- I believe she also felt it probably wasn't necessary because we would pay for them to fly down and present it. But I think Aaron just said, no, you go ahead and present it.
Not knowing the history, I didn't necessarily see that as an issue, but I guess, traditionally, they have always been present to present reports to the comp committee or the board, or at least on the phone, maybe,

I don't know.
Q Do you know whether or not Willis Towers Watson refused to present to the board because of the revisions that Mr. Zahn made to their work product?
A I don't believe that's the case. I think they were prepared to come down and we told them, no, you don't need to, so ...
Q If they had been present, they could have addressed any discrepancies in their work product or talked the board through these issues?
A Certainly.
Q We touched on this briefly earlier, but you were present at the Club Continental and the Dalton Agency meetings in early July of 2019?
A Correct.
Q And you participated in both of those meetings; the meeting proper in Orange Park and then the after meeting at the Dalton Agency downtown?
A Yes.
Q Who all at JEA attended?
A Aaron, Melissa, Ryan, Kerri Stewart. Herschel must have been there. I believe that was it from JEA. And it's interesting, I was literally told the day before, oh, you need to be there. So I showed up. But I think that was it from JEA.

Q A last-minute invite?
A Yes.
Q Lucky you.
Other than JEA people, who was present at these meetings?
A Oh, golly. J.P. Morgan and Morgan Stanley bankers. Pillsbury lawyers. Kevin Hyde from Foley. I don't think there were -- there may have been another Foley person from procurement or something. I'm not sure. There were a lot of people there. I think those are the main groups. I could be missing someone. And that was at Club Continental. They were not at the agency meeting, or most of them weren't. Some -- a few didn't.
Q Was Michael Munz at the Club Continental meeting?
A Who is Michael Munz? I'm sorry.
Q Dalton. Any representatives of Dalton --
A He was. He was, yes.
Q And any other political consultants at the Club Continental meeting?
A There was. And I don't know his name. He was a political consultant. I don't know who he worked for, but he did talk about the political climate just in general.

Q Was it Tim Baker?
A Can you describe him? I'm sorry.
Q Not really.
A No? Kind of young, tall, dark haired maybe. I don't know. I'm sorry.
Q Anybody else that you can remember?
A Not that I remember.
Q Were there documents distributed at the Club Continental meeting?
A I believe so. The piece -- we broke into groups, and the piece I was working on was employer related. So a lot of it was pension reform. Kevin Hyde had drafted that. So we reviewed that. We reviewed retention agreements. Pillsbury had put some work in on those, too.
So the piece I looked at was related to employee -- the minimum requirements for employees in the event of a recapitalization.
Q Who was included in your breakout group?
A Kevin. Melissa joined us off and on. I think Michael Munz joined us occasionally.
MR. NUNN: (Indicates).
THE WITNESS: Oh, is this Tim Baker?
MR. NUNN: Upper right-hand corner.
THE WITNESS: That's him, yeah. Thank you.

BY MR. WEDEKIND:
Q Let the record reflect that Mr. Kendrick was shown a picture of Tim Baker and positively identified him.
The documents that were distributed at the meeting, were they collected at the end of the meeting?
A I don't know. I kept mine, I think, because I made notes, I think, about pension legislation. The -- we had some flip charts and I ended up throwing those in my trunk and brought them back downtown. I don't know about all of the documents that were handed out.
Q Where would you have kept your notes with all of the notes that we've talked about --
A They would have been in my office, yeah.
Q Did you see any drafts of documents relating to the ITN at Club Continental?
A I did not personally.
Q Did you hear about it?
A The bankers were discussing options. I'm assuming that was one of them. But, no, I wasn't privy to those discussions.
Q How about documents relating to the PUP?
A I don't think there were any at that meeting. I won't swear to it, but I don't believe so.
Q Would you have been part of the process as the

PUP was being drafted?
A I was not. Pillsbury drafted it and was doing the legwork on it.
Q That was Jessica Lutrin specifically?
A Yes.
Q I've been told that she had a laptop there while she was drafting the PUP agreement as people looked over her shoulder.
A Oh.
Q Do you remember that?
A I don't.
Q Do you know who participated in coming up with the terms of the PUP?
A Obviously Aaron. I thought -- my understanding was Pillsbury based on their experience and expertise. Beyond that, I don't know.
Q Was Lynne Rhode at these meetings?
A Oh. I'm trying to picture it. I would assume she was, but I don't know.
Q During the Club Continental and Dalton meetings, did anybody ever describe the PUP as a deferred compensation plan?
A I don't remember.
Q Or a bonus plan?
A No.

Q How did they describe it?
A I honestly don't remember discussion of it. It may have occurred, but I don't remember. I know that sounds odd, but, again, my focus was elsewhere, so ...
Q Whose idea was it to include Lynne Rhode as an eligible participant in the PUP?
A Almost positive it was Aaron.
Q Why are you almost positive?
A Because he felt that Lynne and the other attorney -- whose name I just blanked on -- were essentially working with JEA and supporting us and should be eligible for it.
Q Miriam Hill?
A Miriam Hill, thank you. Yes.
Q So because those two attorneys were supporting JEA --
A Basically full time. I'm sorry.
Q -- that the quid pro quo would be that they would be eligible for the PUP plan?
A Correct.
As a corollary to that, I think it was also -- with the concurrence of either the board chair or the comp committee chair, it might be used in recruiting. As new employees came onboard, they might be eligible, but that was going to have to be considered on a

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case-by-case basis.
Q What did you say that Tim Baker's role was at these meetings?
A I don't know what his role was. He spoke briefly about just the political climate, as I recall. I didn't know who he was at the time. Yeah, I can't remember specifics.
Q At the July 23rd board meeting, among the various things that passed, was approval to enter into new employment agreements for members of the SLT?
A Correct.
Q Who drafted the employment agreements?
A I believe Pillsbury.
Q Describe the process, as you understand it, and the development of those employment agreements.
A I wasn't involved in the development. I believe I learned of them the week before that board meeting, perhaps even as we were putting more factors together. They may have been discussed before that, but -- and I keep -- I hate to keep beating this drum, but I really was focused on the pension and some other things.
So employee agreements for senior level didn't really surprise me. In private industry, again, JEA -- JEA had a history of them. I mean, we had -- and since

doing discovery and public records requests, we found several times in its past where JEA's had them. So I guess it wasn't that unusual.
But really wasn't involved in the development; learned about them the week before and was basically said -- told, here it is, you know, sign it. Almost as a condition of employment. It was never stated that boldly, but, you know ...
Q Do you know whether or not the employment agreements were ever negotiated between the parties?
A Mine was not. I don't think any of them were.
Q Is that unusual that a senior executive's employment agreement isn't negotiated with its employer?
A Typically you would have some time to look it over, maybe consult with your attorney. And we did have time to look at it, I guess, and I know -- I don't know that everyone signed it immediately. I think just about everybody did. And eventually everyone did sign it. But, no, no negotiations.
Q How does the process usually work for the negotiation of, for example, a CEO's employment contract?
A I don't have a lot of experience with that, but my guess, based on my HR experience, is an offer would be made, the CEO candidate would consider it with

his attorney; would offer some counter proposals.
Q Who are the negotiating parties there?
A For Aaron's? Oh, I was talking in general. I'm sorry.
Q Yeah. So you have the CEO on one side --
A And the company offering him the position on the other.
Q So would that flow through, typically, a department like yours, or would it come straight from the board?
A It would typically be the board. HR would administer it once it was done. And they might ask for HR input in developing the contract. But, typically, it might be HR with the general counsel putting it together. And the board, if there is a board in the organization, would be the one to make the contract with the CEO.
Q Do you know whether or not JEA's general counsel was ever involved in the drafting of the SLT employment agreements?
A I don't know. I know she saw them, presented them, but I still think Pillsbury drafted them.
Q But nobody in your department, in HR, was consulted as part of the negotiation and drafting of these documents?

A No.
Q Did anyone ever ask you whether you thought the employment agreements complied with Florida law?
A No.
Q Did you ever hear Mr. Zahn express frustration about Florida's public records laws?
A I did not.
And I will admit that there was a public records training session for the SLT that I had to miss for some reason. I think it was union negotiations. So I wasn't present for that and I know he was.
Q Did the SLT ever use messaging apps in order to communicate with one another?
A Yes.
Q What messaging apps?
A GroupMe.
Q Anything else?
A That's the only one I'm aware of.
Q There was some mention of an app called Signal. Have you heard of the app Signal?
A I have not.
Q Did you use GroupMe?
A I did.
Q Okay. Was there a specific chat designated for the SLT members?

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A Yes.
Q And that was preserved by JEA?
A Yes.
Q You attended the City Council investigation committee meeting in December of 2019?
A I did.
Q When you were there and you were listening to all of the testimony that was being provided, did you hear any statements that were inaccurate or misleading?
A I believe a question was asked about who came up with the PUPs, and the basic response was, I don't know, and that seemed very odd to me.
Q And I think that you're referencing Mr. Zahn?
A Yes.
Q So he was asked, who came up with the PUPs, and his response was, I don't know, and you considered that to be misleading?
A Yes.
Q Because you knew that the PUPs were his idea?
A Yes. I'm sorry.
Q Other than that, were there any other statements that were made at that meeting that you considered to be inaccurate or misleading or just didn't sit right with you?
A I remember Councilman Diamond talking about

the numbers and going down the row of each of us, saying, so you didn't do the math, you didn't do the math, you didn't do the math. And I had not done the math, but it seemed odd that Ryan or Aaron hadn't done the math.
Q So you suspect that they did do the math?
A I would think they'd have some idea what it would be, yeah.
Q And that's consistent with your prior testimony that Aaron had it all in his head?
A Yes.
Q That Mr. Zahn knew what the payout of these PUP units would be in the event of a recapitalization?
A Well, he had the allocation in his head which would be the resulting payout if he -- if you start putting -- plugging numbers into that formula, certainly.
Q Anything else at that City Council meeting in December that you heard that didn't sit right with you?
A No, not that I recall.
Q How frequently did you interact with Mr. Zahn?
A Formally, not that often. Informally, you know, chats in the hallway and occasional meetings. But the formal interactions were more about personnel actions like Julio or Mike Hightower. He'd have

questions about HR -- I interacted with him on unions, on negotiating. I kept both he and Melissa informed of those. He had regular union meetings after our -- union leadership meetings after our leadership meetings. The appointed folks, we would then meet with the union leaders separately.
So I was in formal meetings with him all along, but the one-on-one interaction wasn't that frequent.
Q Did any employees, rank and file or SLT members, ever complain to you about Mr. Zahn?
A No.
Q Other than Ms. Hiers?
A Well, yeah. Yes.
Q Did you ever hear of anybody refer to Mr. Zahn as having mental issues?
A No.
Q What were your personal thoughts about a governmental entity offering a long-term incentive plan to its employees?
A If it works, if it was legal, I think it's a great idea because it gives employees an incentive to maintain employment, to invest in their organization, to see long-term growth and stability in that organization. So, you know, at a very basic level, I think it's a

great idea.
Q What was the purpose of the Dalton Agency meeting following the Club Continental meeting?
A Good question. I'm trying to remember what was discussed there. It was a much smaller group. I feel like it was wrapping up loose ends, maybe some communication. It didn't seem like we were there all day, either. Maybe just for the morning. I remember less about that than I do Club Continental, unfortunately. I know I left my laptop cord there and went back to get it the next week. That's my stunning memory about that.
Q You were not identified as a subject matter expert for HR in personnel issues in connection with the ITN.
A Oh, I thought I was. Oh, for -- during the evaluation period I wasn't because I was on the evaluation team. I'm sorry.
Q Okay.
A Yeah.
Q So when you were on the evaluation team, that's why you weren't named as the subject matter expert?
A Correct.
Q Were you aware of the organization YPO that

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Mr. Zahn was involved in?
A No.
Q Do you know how much money JEA paid for Mr. Zahn's participation in that organization?
A I do not.
Q How did JEA determine what groups its SLT members were permitted to be associated with for reimbursement expenses?
A I don't know. My personal example, I'm a member of SHRM, Society for Human Resource Management, and JEA paid those dues. I think for professional organizations they typically would cover that. I know several members were active in State organizations. Paul Steinbrecher was president -- or I guess is president of some statewide water association.
So I think JEA sees it as good business to do that, to pay for professional memberships, but I don't know if there's a policy per se. I'm sure there is one.
Q Were you aware of any inappropriate reimbursements for travel ever made by or to Mr. Zahn?
A I'm not aware of any, no.
Q Did you witness or were you aware of any public records violations that occurred while you were at JEA?
A I'm not aware of any.

Q Did you have access to the Intralinks database?
A Yes. That was the data room for the -- yeah, I did.
Q How often did you access it?
A It varied. Not terribly often as we were adding things to it, but as questions came up, I would have to go into it, and I did enter a few documents. I honestly couldn't tell you what at this point. Carol Higley was kind of the gathering person for HR to put -- to enter documents into the database.
Q Did you work on the ITN documents on the 17th floor?
A No.
Q Were you aware that JEA was hosting meetings on 17?
A Yes.
Q Why were they hosting meetings on 17?
A I think it was a central location to -- that could be secured to work through the ITN process.
MR. WEDEKIND: Let's take a quick break.
(Recess taken from 3:36 p.m. to 3:44 p.m.)
BY MR. WEDEKIND:
Q All right. Were you aware that Pillsbury and Foley also hosted their own FTP sites in connection with

the ITN and the PUP and all of the strategic planning processes?
A I think I was.
Q And --
A Well, I definitely knew Foley was. I do remember that.
Q Did you have access to the FTP site?
A I don't remember. Over time I had access to two sites. I don't know if one of those was Foley. It may have been.
Q You were part of the initial vetting team of the ITN?
A Correct. Evaluation team, right.
Q Do you remember a bid submitted by E&W Development company?
A Not off the top of my head. I don't remember the name.
Q Do you know why E&W Development company did not continue to participate in the ITN after the initial evaluation process?
A I assume their scores were too low. I don't remember the respondent.
MR. MCLAUCHLIN: Could we clarify who E&W is?
MR. NUNN: They're a subsidiary of Exelon.
MR. BLODGETT: They also went by Respondent A,

I think, in a lot of --
THE WITNESS: And they're a subsidiary of who?
MR. NUNN: Exelon.
MR. BLODGETT: Exelon.
THE WITNESS: Oh, Exelon. Okay. I remember the name, yeah.
BY MR. WEDEKIND:
Q Would it surprise you if they were the highest-rated bidder but they dropped out of the ITN process?
A I don't remember the scores. So I can't say I'd be surprised or not.
Q Do you remember a conversation that JEA had with ADP, after the letter was terminated in late November, about ADP's participating in JEA tax filings?
A No.
Q Did you have any interactions with McKinsey?
A Yes.
Q Okay. Could you just briefly walk me through --
A Yeah. I think every SLT member did. They had a number of consultants that came down, were on JEA property and would meet with us to talk through the strategic initiatives, what -- where there might be savings involved; different methods of doing things. So

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there were two or three meetings like that over time.

Q What did your involvement focus on?

A For me, the biggest change JEA needed to make in the HR realm was a new human capital management system, HRIS. As I've complained before, Oracle was extremely antiquated, a lot of patchwork.

We were taking baby steps. We had a new talent acquisition program. We had a new performance management, which we were implementing during all this. So we were getting there, but we needed an overall system. So that was my biggest push with them, was saying that that's what I see is our biggest need, so ...

Q Anything else that you remember pertinent to strategic planning with McKinsey?

A Not specifics, no. I think all that documentation is available, though. I mean, there were reams of paper that they went through, so ...

Q All right. I don't have any further questions. I appreciate your time today and your patience and your accommodating me and my schedule.

But I want to give you the opportunity now to add anything else that either occurred to you after I asked questions or that have recently come to mind or anything else that you wanted to provide JEA in

connection with this investigation.

A I did think of one thing. It kind of triggered when you talked about that committee meeting back in December about where did the PUPs originate.

I hadn't been at JEA long. So it's probably mid-May. And I don't remember if Aaron called me in his office or I was passing by, but he said, hey, come listen to this. And he and Melissa and Ryan Wannemacher were in there.

And he described kind of what the PUP might look like, just saying, hey, we're looking at a performance unit plan. I think he used some of the Willis Towers Watson recommendations. And it wasn't, as I recall, what the final form of the PUP looked like, but I think it was kind of the -- maybe not the birth of the PUP, but it was being considered then. He was just kind of blue-skying it.

And I remember asking, it's really unique, has this ever been done before?

And he said, no, this is new. And he was proud of the fact that it might be something new and exciting. That was the gist of it. And I'm not drawing any conclusions from that, but I know they were discussing it at that point and what it might look like.

Q And this happened in Mr. Zahn's office?

A Yes.

Q And Mr. Zahn, Ms. Dykes, and Mr. Wannemacher were all present?

A That's correct.

Q Anybody else?

A No.

Q And Mr. Zahn was proud of the fact that nobody had ever attempted this before?

A That's what I gathered. I think -- he's a smart guy, and maybe he felt like this is something new. So -- it was more like a proud parent, if that's a good analogy. I don't know.

(Sworn statement concluded at 3:51 p.m.)

CERTIFICATE OF OATH

STATE OF FLORIDA)
COUNTY OF DUVAL)

I, the undersigned authority, certify that JON KENDRICK personally appeared before me and was duly sworn.

WITNESS my hand and official seal this 5th day of July, 2020.

Heather M. Thomas
Court Reporter
Notary Public-State of Florida
My Commission No. GG 281865
My Commission Expires 2/1/2023

CERTIFICATE OF REPORTER

STATE OF FLORIDA
COUNTY OF DUVAL

I, HEATHER M. THOMAS, Court Reporter and Notary Public, State of Florida, was authorized to and did stenographically report the foregoing proceedings; and that the transcript, pages 5 through 214, is a true and accurate record of my stenographic notes.

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

DATED this 5th day of July, 2020.

Heather M. Thomas
Court Reporter

ERRATA SHEET
DO NOT WRITE ON TRANSCRIPT-ENTER CHANGES HERE

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

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Under penalties of perjury, I declare that I have read my deposition and that it is true and correct subject to any changes in form or substance entered here.

_____ ___________________
DATE NAME

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RESOLUTION 2019-10

A RESOLUTION APPROVING LONG-TERM PERFORMANCE UNIT PLAN AND RELATED DOCUMENTATION AND AUTHORIZING THE CEO TO TAKE ANY AND ALL ACTION TO PURSUE THE IMPLEMENTATION OF SUCH PLAN AND RELATED DOCUMENTATION

WHEREAS, in accordance with Board Policy 2.7, the Compensation Committee directed JEA management in January 2019 to develop a compensation policy to align with talent market and guiding principles, JEA management presented to the Compensation Committee and the Compensation Committee approved in June 2019 the framework for a compensation plan, including a long-term incentive plan;

WHEREAS, at its June 2019 Board meeting, the Board approved the framework of JEA's long-term compensation plan and authorized JEA management to develop the plan and present it to the Board at the July 2019 Board meeting for final approval;

WHEREAS, the Board believes that it is in the best interest of JEA to adopt a long-term performance unit plan in connection with annual performance reviews and general operation of JEA; and

WHEREAS, the Board has reviewed the summary of the terms and conditions of the Long-Term Performance Unit Plan, which summary is attached hereto as Exhibit 1 (the "Long-Term Performance Plan Summary").

BE IT RESOLVED, by the Board that:

1. The Chief Executive Officer and Managing Director (the "CEO") or his designee shall have the authority to (i) implement a long-term performance unit plan (the "Long-Term Performance Unit Plan") on the terms and conditions set forth on the Long-Term Performance Plan Summary, (ii) execute with each actively employed eligible full-time employee, any full-time JEA employee as otherwise recommended by the CEO and approved by the Administrator of the Long Term Performance Unit Plan, and each actively employed eligible full-time attorney from the Office of General Counsel of the City of Jacksonville who is dedicated exclusively to JEA an agreement under the Long-Term Performance Unit Plan, (iii) in consultation with the Office of General Counsel, make technical and clerical amendments to the Long-Term Performance Unit Plan and/or the Form Long-Term Performance Agreement, all of which do not increase the financial obligations or liability of JEA under the Long-Term Performance Unit Plan and/or the Form Long-Term Performance Agreement, and (iv) take, or cause to be taken, any and all action and to prepare, execute and deliver, or cause to be prepared, executed and delivered, any and all documents that the CEO or his designee deems necessary or advisable to carry out the intent of this resolution.

2. The Chair of the Compensation Committee of the Board be, and hereby is, appointed as the Administrator of the Long-Term Performance Unit Plan with full power and authority to administer the Long-Term Performance Unit Plan in accordance with the terms

therewith.

3. The 2019 Redemption Price Schedule under the Long-Term Performance Unit Plan for the Performance Units to be purchased by Participants in January 2020 attached hereto as Exhibit 2 is hereby approved.

4. This resolution shall be effective immediately upon its adoption.

Dated this 23rd day of July 2019.

JEA

By: ________________________

April Green, Chair

____

Secretary

Form Approved:

____

Office of General Counsel

RESOLUTION 2019-10 EXHIBIT 1

The Long-Term Performance Plan Summary

RESOLUTION 2019-10 EXHIBIT 1

Long-Term Performance Plan Summary

Overview	Subject to the satisfaction of the conditions described below, each eligible employee may purchase a specified number of performance units from JEA on January 15th of each year. Eligible employees will be notified in and will execute the Long-Term Performance Unit Plan Agreement in Q4 of calendar year 2019 that they may purchase performance units and the first purchase date will be January 15, 2020. Each performance unit represents a potential right to receive a cash payment equal to the redemption price (as described below) for such unit.
Documentation	All eligible employees will be subject to a plan and will be required to sign an agreement with JEA.
Eligible Employees	All (i) full-time employees who are actively employed with JEA for at least three months prior to the purchase date and (ii) full-time attorneys from the Office of the General Counsel of the City of Jacksonville who are dedicated exclusively to JEA for at least three months prior to the purchase date are eligible to purchase performance units. Any exceptions to the above must be recommended by JEA's CEO and approved by the administrator (as described below).
Pool	A total of 100,000 performance units are available for purchase under the plan.
Purchase Price Payment	Each performance unit will have a purchase price of $10.00. To pay the purchase price, an eligible employee will elect to defer a portion of his or her pay equal to the aggregate purchase price for the performance units. Each eligible employee may elect to defer his or her pay in a lump sum or equal installments during the payroll periods as selected by such employee and such employee's pay will be deferred at such time as such pay would otherwise have been paid but not for the deferral election. An eligible employee will elect to defer in the calendar year prior to the year in which the compensation is earned.
Performance Period	Each performance period will be a three-year period that is used to calculate the redemption price (if a Recapitalization Event occurs, the performance period will be truncated and will end on the closing date of such Recapitalization Event).

Redemption Price	An eligible employee will receive a cash payment equal to the redemption price for each performance unit that such employee purchases. The redemption price will include the purchase price paid by an eligible employee for such unit. The redemption price will increase by $100.00 per performance unit for each Value Change Percentage increase of 1% in excess of the "Challenge Value Target" and will decrease by $0.50 per performance unit for each "Value Change Percentage" decrease of 1% below the Threshold Value Target, but the redemption price will not be less than $0.00 per performance unit. • The "Challenge Value Target" will be 110% for the first performance period and the "Threshold Value Target" will be 90% for the first performance period. • The "Value Change Percentage" means a percentage equal to the "Current Year Value" divided by the "Base Year Value." • "Current Year Value" means, with respect to each performance period, the sum of (i) JEA's Net Position, as shown on JEA's audited financial statements for such performance period, (ii) the aggregate consideration paid, distributed, credited or otherwise provided to the City of Jacksonville whether in cash or in-kind (excluding any public service taxes or franchise fees) during the 12-month period prior to the end of the performance period, and (iii) the aggregate consideration (including refunds, rebates and distributions) paid, distributed, credited or otherwise provided to JEA's customers during the 12-month period prior to the end of the performance period. Any consideration and change in Net Position, as applicable, in connection with the Recapitalization Event will be taken into account for purposes of calculating the amounts in (i) – (iii). • For the first performance period, "Base Year Value" is the amount equal to the Current Year Value for fiscal year 2019 as reflected on JEA's audited financial statements when available. JEA's Chief Financial Officer will calculate the redemption price. The administrator will certify the redemption price as soon as practicable following the completion of JEA's audit for the applicable performance period, but in no event later than 30 days thereafter (or, if a Recapitalization Event occurs, no later than 30 days following the closing date of such Recapitalization Event).

Payments and Vesting Generally	The performance units will vest on the earlier to occur of (i) the first anniversary of the last day of the performance period and (ii) the date on which a Recapitalization Event occurs (the "Vesting Date"). Except as otherwise described herein, an eligible employee must be employed on the Vesting Date for the performance units to vest. Payments will be paid to an eligible employee no later than 30 days after the redemption price has been certified by the administrator as described above.
Termination of Employment	If an eligible employee experiences an involuntary termination of employment (as described below) prior to the applicable Vesting Date, such employee will receive a payment in respect of all of his performance units. Any amounts payable to a terminated eligible employee in respect of his performance units will be paid to such employee at the same time as the amounts would have been paid had there been no termination of employment. An involuntary termination means a termination of employment by JEA without cause or due to the eligible employee's death or disability. An eligible employee will forfeit his performance units and aggregate purchase price on a termination of employment that is not involuntary.
Retirement Eligible Employees	If an eligible employee becomes a retirement eligible employee (as described below) and retires, in each case, prior to the applicable Vesting Date, such employee's performance units will vest on the applicable Vesting Date. An eligible employee is retirement eligible if such employee has attained one of the retirement milestones as described in the General Employees Retirement Plan.
Recapitalization Event	"Recapitalization Event" means the closing and funding of a transaction or a series of related transactions in accordance with Article 21 of the Charter of the City of Jacksonville and any other applicable law that results in either (i) unencumbered cash proceeds to the City of Jacksonville of at least Three Billion Dollars ($3,000,000,000) or (ii) at least 50% of the net depreciated property, plant and equipment value of either JEA's electric system or JEA's water and wastewater system being transferred, assigned, sold or otherwise disposed of.
Conditions to Receipt	An eligible employee will receive the cash payment in respect of his performance units if: (i) he executes an agreement; (ii) the employee is continuously employment with JEA (except as set forth above); (iii) the employee executes and does not revoke a release of claims in favor of JEA and the City of Jacksonville; (iv) the employee complies with the covenants set forth below; and (v) the conditions in Section 215.425(3), Florida Statutes are satisfied.

Employee Covenants	Each eligible employee must (i) devote his best efforts to faithfully discharge his duties on behalf of JEA and not take any action that would be contrary to the best interests of JEA, (ii) not disclose confidential JEA information (except as required by applicable law or to perform his job duties) or (iii) not make any unauthorized public statements about, among others, JEA and government officials of the City of Jacksonville. If an eligible employee breaches or threatens to breach these covenants, such employee will forfeit his unvested performance units and JEA will not pay to such employee any amount in respect of his performance units (including any purchase price paid by such employee for the performance units) and/or such employee will promptly repay all or any portion of the cash payment previously paid to him in respect of his performance units, as applicable.
Administrator	The Chair of the Compensation Committee will be the administrator.
Miscellaneous	Any payments made to an eligible employee will be paid less applicable withholding taxes. The plan and agreements will be subject to Sections 409A and 457(f) of the Internal Revenue Code (the "Code") and will be construed and interpreted accordingly. The agreements will be governed by the laws of the State of Florida and subject to arbitration in Duval County in the State of Florida. If or as required, JEA will collectively bargain the plan and applicable agreements with unions representing covered bargaining unit employees of JEA. If any payments under the plan or an agreement to an eligible employee are subject to any excise tax, interest or penalties under the Code (the "Penalties"), JEA will pay to such employee an amount equal to the full amount of the Penalties. JEA will not pay to an eligible employee any amount in respect of Penalties caused by such employee's breach of his or her agreement or such employee's failure to comply with applicable law.

RESOLUTION 2019-10 EXHIBIT 2

2019 Redemption Price Schedule under the Long-Term Performance Unit Plan

RESOLUTION 2019-10 EXHIBIT 2

Long-Term Performance Unit Plan – 2019 Redemption Price Schedule

SCHEDULE A
2019 REDEMPTION PRICE SCHEDULE

The Redemption Price shall increase by $100.00 per Performance Unit for each Value Change Percentage increase of 1.00% in excess of the Challenge Value Target and shall decrease by $0.50 per Performance Unit for each Value Change Percentage decrease of 1.00% below the Threshold Value Target, but in no event shall the Redemption Price per Performance Unit be less than $0.00.

For purposes of this Schedule A, the following defined terms shall mean:

(a) "Base Year Value" means $[AMOUNT].[1]

(b) "Challenge Value Target" means 110%.

(c) "Current Year Value" means, with respect to each Performance Period, the sum of (i) JEA's Net Position, as shown on JEA's audited financial statements for such Performance Period, (ii) the aggregate consideration paid, distributed, credited or otherwise provided to the City of Jacksonville whether in cash or in-kind (excluding any public service taxes or franchise fees) during the twelve (12)-month period prior to the end of the Performance Period, and (iii) the aggregate consideration (including refunds, rebates and distributions) paid, distributed, credited or otherwise provided to the customers of the JEA Group during the twelve (12)-month period prior to the end of the Performance Period. For the avoidance of doubt, for purposes of calculating the amounts in clauses (a), (b) and (c), any consideration and change in Net Position, as applicable, in connection with the Recapitalization Event shall be taken into account.

(d) "Value Change Percentage" means a percentage equal to the Current Year Value divided by the Base Year Value.

(e) "Threshold Value Target" means 100%.

Any amounts paid, distributed, credited or otherwise provided in a form other than cash shall be valued at the value ascribed to them in the documents governing, or if none, then at their fair market value as determined by the Administrator in its sole discretion.

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1 For 2019, this amount will be equal to the Current Year Value for fiscal year 2019 as reflected on the audited financial statements when available.

Select Year: 2019 Go

The 2019 Florida Statutes

Title X
PUBLIC OFFICERS, EMPLOYEES, AND RECORDS

Chapter 112
PUBLIC OFFICERS AND EMPLOYEES: GENERAL PROVISIONS

View Entire Chapter

112.215 Government employees; deferred compensation program.—

(1) This section shall be known and may be cited as the "Government Employees' Deferred Compensation Plan Act."

(2) For the purposes of this section, the term "employee" means any person, whether appointed, elected, or under contract, providing services for the state; any state agency or county or other political subdivision of the state; any municipality; any state university board of trustees; or any constitutional county officer under s. 1(d), Art. VIII of the State Constitution for which compensation or statutory fees are paid.

(3) In accordance with a plan of deferred compensation which has been approved as herein provided, the state or any state agency, county, municipality, other political subdivision, or constitutional county officer may, by contract or a collective bargaining agreement, agree with any employee to defer all or any portion of that employee's otherwise payable compensation and, pursuant to the terms of such approved plan and in such proportions as may be designated or directed under that plan, place such deferred compensation in savings accounts or use the same to purchase fixed or variable life insurance or annuity contracts, securities, evidence of indebtedness, or such other investment products as may have been approved for the purposes of carrying out the objectives of such plan. Such insurance, annuity, savings, or investment products shall be underwritten and offered in compliance with the applicable federal and state laws and regulations by persons who are duly authorized by applicable state and federal authorities.

(4)(a) The Chief Financial Officer, with the approval of the State Board of Administration, shall establish such plan or plans of deferred compensation for state employees and may include persons employed by a state university as defined in s. 1000.21, a special district as defined in s. 189.012, or a water management district as defined in s. 189.012, including all such investment vehicles or products incident thereto, as may be available through, or offered by, qualified companies or persons, and may approve one or more such plans for implementation by and on behalf of the state and its agencies and employees.

(b) If the Chief Financial Officer deems it advisable, he or she shall have the power, with the approval of the State Board of Administration, to create a trust or other special funds for the segregation of funds or assets resulting from compensation deferred at the request of employees of the state or its agencies and for the administration of such program.

(c) The Chief Financial Officer, with the approval of the State Board of Administration, may delegate responsibility for administration of the plan to a person the Chief Financial Officer determines to be qualified, compensate such person, and, directly or through such person or pursuant to a collective bargaining agreement, contract with a private corporation or institution to provide such services as may be part of any such plan or as may be deemed necessary or proper by the Chief Financial Officer or such person, including, but not limited to, providing consolidated billing, individual and collective recordkeeping and accountings, asset purchase, control, and safekeeping, and direct disbursement of funds to employees or other beneficiaries. The Chief Financial Officer may authorize a person, private corporation, or institution to make direct disbursement of funds under the plan to an employee or other beneficiary.

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(d) In accordance with such approved plan, and upon contract or agreement with an eligible employee, deferrals of compensation may be accomplished by payroll deductions made by the appropriate officer or officers of the state, with such funds being thereafter held and administered in accordance with the plan.

(e) The administrative costs of the deferred compensation plan must be wholly or partially self-funded. Fees for such self-funding of the plan shall be paid by investment providers and may be recouped from their respective plan participants. Such fees shall be deposited in the Deferred Compensation Trust Fund.

(5) Any county, municipality, or other political subdivision of the state may by ordinance, and any constitutional county officer under s. 1(d), Art. VIII of the State Constitution of 1968 may by contract agreement or other documentation constituting approval, adopt and establish for itself and its employees a deferred compensation program. The ordinance shall designate an appropriate official of the county, municipality, or political subdivision to approve and administer a deferred compensation plan or otherwise provide for such approval and administration. The ordinance shall also designate a public official or body to make the determinations provided for in paragraph (6)(b). If a constitutional county officer elects to adopt and establish for that office and its employees a deferred compensation program, the constitutional county officer shall be the appropriate official to make the determinations provided for in this subsection and in paragraph (6)(b).

(6)(a) No deferred compensation plan of the state shall become effective until approved by the State Board of Administration and the Chief Financial Officer is satisfied by opinion from such federal agency or agencies as may be deemed necessary that the compensation deferred thereunder and/or the investment products purchased pursuant to the plan will not be included in the employee's taxable income under federal or state law until it is actually received by such employee under the terms of the plan, and that such compensation will nonetheless be deemed compensation at the time of deferral for the purposes of social security coverage, for the purposes of the state retirement system, and for any other retirement, pension, or benefit program established by law.

(b) No deferred compensation plan of a county, municipality, other political subdivision, or constitutional county officer shall become effective until the appropriate official or body designated under subsection (5) is satisfied by opinion from such federal agency or agencies as may be deemed necessary that the compensation deferred thereunder and/or the investment products purchased pursuant to the plan will not be included in the employee's taxable income under federal or state law until it is actually received by such employee under the terms of the plan, and that such compensation will nonetheless be deemed compensation at the time of deferral for the purposes of social security coverage, for the purposes of the retirement system of the appropriate county, municipality, political subdivision, or constitutional county officer, and for any other retirement, pension, or benefit program established by law.

(7) The deferred compensation programs authorized by this section, and any plan approved and adopted as herein provided, shall exist and serve in addition to any other retirement, pension, or benefit systems established by the state or its agencies, counties, municipalities, other political subdivisions, or constitutional county officers and shall not supersede, make inoperative, or reduce any benefits provided by the Florida Retirement System or by another retirement, pension, or benefit program established by law. All records identifying individual participants in any plan under this section and their personal account activities shall be confidential and are exempt from the provisions of s. 119.07(1).

(8)(a) There is created a Deferred Compensation Advisory Council composed of seven members.

1. One member shall be appointed by the Speaker of the House of Representatives and the President of the Senate jointly and shall be an employee of the legislative branch.

2. One member shall be appointed by the Chief Justice of the Supreme Court and shall be an employee of the judicial branch.

3. One member shall be appointed by the chair of the Public Employees Relations Commission and shall be a nonexempt public employee.

4. The remaining four members shall be employed by the executive branch and shall be appointed as follows:

a. One member shall be appointed by the Chancellor of the State University System and shall be an employee of the university system.

b. One member shall be appointed by the Chief Financial Officer and shall be an employee of the Chief Financial Officer.

c. One member shall be appointed by the Governor and shall be an employee of the executive branch.

d. One member shall be appointed by the Executive Director of the State Board of Administration and shall be an employee of the State Board of Administration.

(b) Each member shall serve for a term of 4 years from the date of appointment, except that a vacancy shall be filled by appointment for the remainder of the term.

(c) Members shall elect a chair annually.

(d) The council shall meet at the call of its chair, at the request of a majority of its membership, or at the request of the Chief Financial Officer, but not less than twice a year. The business of the council shall be presented to the council in the form of an agenda. The agenda shall be set by the Chief Financial Officer and shall include items of business requested by the council members.

(e) A majority of the members shall constitute a quorum, and action by a majority of a quorum shall be official.

(f) The council shall make a report of each meeting to the Chief Financial Officer, which shall show the names of the members present and shall include a record of its discussions, recommendations, and actions taken. The Chief Financial Officer shall keep the records of the proceedings of each meeting on file and shall make the records available to any interested person or group.

(g) Members of the council shall serve without compensation but shall be entitled to receive reimbursement for per diem and travel expenses as provided in s. 112.061.

(h) The advisory council shall provide assistance and recommendations to the Chief Financial Officer relating to the provisions of the plan, the insurance or investment options to be offered under the plan, and any other contracts or appointments deemed necessary by the council and the Chief Financial Officer to carry out the provisions of this act. The Chief Financial Officer shall inform the council of the manner in which each council recommendation is being addressed. The Chief Financial Officer shall provide the council, at least annually, a report on the status of the deferred compensation program, including, but not limited to, information on participant enrollment, amount of compensation deferred, total plan assets, product provider performance, and participant satisfaction with the program.

(9) The purchase of any insurance contract or annuity or the investment in another investment option under any plan of deferred compensation provided for in the United States Internal Revenue Code and not prohibited under the laws of this state for an employee shall impose no liability or responsibility whatsoever on the state, county, municipality, other political subdivision, or constitutional county officer, except to show that the payments have been remitted for the purposes for which the compensation has been deferred.

(10)(a) The moneys, pensions, annuities, or other benefits accrued or accruing to any person under the provisions of any plan providing for the deferral of compensation and the accumulated contributions and the cash and securities in the funds created thereunder are hereby exempt from any state, county, or municipal tax. They shall not be subject to execution or attachment or to any legal process whatsoever by a creditor of the employee and shall be unassignable by the employee.

(b)1. There is created in the State Treasury the Deferred Compensation Trust Fund, through which the Chief Financial Officer as trustee shall hold moneys, pensions, annuities, or other benefits accrued or accruing under and pursuant to 26 U.S.C. s. 457 and the deferred compensation plan provided for therein and adopted by this state; and

a. All amounts of compensation deferred thereunder;

b. All property and rights purchased with such amounts; and

c. All income attributable to such amounts, property, or rights.

2. Notwithstanding the mandates of 26 U.S.C. s. 457(b)(6), all of the assets specified in subparagraph 1. shall be held in trust for the exclusive benefit of participants and their beneficiaries as mandated by 26 U.S.C. s. 457(g)(1).

(11) With respect to any funds held pursuant to a deferred compensation plan, any investment option provider that is a bank or savings association and that provides time deposit accounts and certificates of deposit as an investment product to the plan participants may, with the approval of the State Board of Administration for providers in the state plan, or with the approval of the appropriate official or body designated under subsection (5) for a plan of a county, municipality, other political subdivision, or constitutional county officer, be exempt from the provisions of chapter 280 requiring it to be a qualified public depository, provided:

(a) The bank or savings association shall, to the extent that the time deposit accounts or certificates of deposit are not insured by the Federal Deposit Insurance Corporation, deposit or issue collateral with the Chief Financial Officer for all state funds held by it under a deferred compensation plan, or with such other appropriate official for all public funds held by it under a deferred compensation plan of a county, municipality, other political subdivision, or constitutional county officer, in an amount which equals at least 150 percent of all uninsured deferred compensation funds then held.

(b) Said collateral shall be of the kind permitted by s. 280.13 and shall be pledged in the manner provided for by the applicable provisions of chapter 280.

The Chief Financial Officer shall have all the applicable powers provided in ss. 280.04, 280.05, and 280.08 relating to the sale or other disposition of the pledged collateral.

(12) The Chief Financial Officer may adopt any rule necessary to administer and implement this act with respect to deferred compensation plans for state employees and persons employed by a state university as defined in s. 1000.21, a special district as defined in s. 189.012, or a water management district as defined in s. 189.012.

(13) When permitted by federal law, the plan administrator may provide for a pretax trustee-to-trustee transfer of amounts in a participant's deferred compensation account for the purchase of prior service credit in a public sector retirement system.

(14) This subsection may not impair an existing contract. In each county that has one or more constitutional county officers, the board of county commissioners and the constitutional county officers shall negotiate a joint deferred compensation program for all their respective employees under s. 163.01. If all parties to the negotiation cannot agree upon a joint deferred compensation program, the provisions of subsection (5) apply.

History.—s. 1, ch. 75-295; s. 1, ch. 76-279; s. 1, ch. 82-46; s. 1, ch. 83-43; s. 2, ch. 87-7; ss. 1, 3, 4, ch. 87-35; s. 1, ch. 87-138; s. 1, ch. 89-123; s. 28, ch. 90-360; s. 5, ch. 91-429; s. 694, ch. 95-147; s. 2, ch. 96-216; s. 35, ch. 96-406; s. 1, ch. 97-8; s. 40, ch. 99-2; s. 2, ch. 99-159; s. 40, ch. 2001-43; s. 2, ch. 2001-265; s. 126, ch. 2003-261; ss. 7, 8, ch. 2003-399; s. 3, ch. 2004-41; s. 8, ch. 2004-390; s. 3, ch. 2016-132.

Online Sunshine

Select Year: 2019 Go

The 2019 Florida Statutes

Title XIV | Chapter 215 | View Entire Chapter

TAXATION AND FINANCE FINANCIAL MATTERS: GENERAL PROVISIONS

215.425 Extra compensation claims prohibited; bonuses; severance pay.—

(1) No extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered or the contract made; nor shall any money be appropriated or paid on any claim the subject matter of which has not been provided for by preexisting laws, unless such compensation or claim is allowed by a law enacted by two-thirds of the members elected to each house of the Legislature. However, when adopting salary schedules for a fiscal year, a district school board or community college district board of trustees may apply the schedule for payment of all services rendered subsequent to July 1 of that fiscal year.

(2) This section does not apply to:

(a) A bonus or severance pay that is paid wholly from nontax revenues and nonstate-appropriated funds, the payment and receipt of which does not otherwise violate part III of chapter 112, and which is paid to an officer, agent, employee, or contractor of a public hospital that is operated by a county or a special district; or

(b) A clothing and maintenance allowance given to plainclothes deputies pursuant to s. 30.49.

(3) Any policy, ordinance, rule, or resolution designed to implement a bonus scheme must:

(a) Base the award of a bonus on work performance;

(b) Describe the performance standards and evaluation process by which a bonus will be awarded;

(c) Notify all employees of the policy, ordinance, rule, or resolution before the beginning of the evaluation period on which a bonus will be based; and

(d) Consider all employees for the bonus.

(4)(a) On or after July 1, 2011, a unit of government that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay with an officer, agent, employee, or contractor must include the following provisions in the contract:

1. A requirement that severance pay provided may not exceed an amount greater than 20 weeks of compensation.

2. A prohibition of provision of severance pay when the officer, agent, employee, or contractor has been fired for misconduct, as defined in s. 443.036(29), by the unit of government.

(b) On or after July 1, 2011, an officer, agent, employee, or contractor may receive severance pay that is not provided for in a contract or employment agreement if the severance pay represents the settlement of an employment dispute. Such severance pay may not exceed an amount greater than 6 weeks of compensation. The settlement may not include provisions that limit the ability of any party to the settlement to discuss the dispute or settlement.

(c) This subsection does not create an entitlement to severance pay in the absence of its authorization.

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Kendrick 6/29/20

(d) As used in this subsection, the term “severance pay” means the actual or constructive compensation, including salary, benefits, or perquisites, for employment services yet to be rendered which is provided to an employee who has recently been or is about to be terminated. The term does not include compensation for:

1. Earned and accrued annual, sick, compensatory, or administrative leave;

2. Early retirement under provisions established in an actuarially funded pension plan subject to part VII of chapter 112; or

3. Any subsidy for the cost of a group insurance plan available to an employee upon normal or disability retirement that is by policy available to all employees of the unit of government pursuant to the unit’s health insurance plan. This subparagraph may not be construed to limit the ability of a unit of government to reduce or eliminate such subsidies.

(5) Any agreement or contract, executed on or after July 1, 2011, which involves extra compensation between a unit of government and an officer, agent, employee, or contractor may not include provisions that limit the ability of any party to the agreement or contract to discuss the agreement or contract.

History.—Formerly s. 11, Art. XVI of the Constitution of 1885, as amended; converted to statutory law by s. 10, Art. XII of the Constitution as revised in 1968; s. 27, ch. 79-190; s. 1, ch. 80-114; s. 35, ch. 84-336; s. 3, ch. 92-90; s. 83, ch. 92-279; s. 55, ch. 92-326; s. 2, ch. 95-169; s. 5, ch. 98-320; s. 8, ch. 99-259; s. 1, ch. 2011-143; s. 24, ch. 2012-5; s. 44, ch. 2014-218.

Slide 1 - proposed amounts from WTW

	LTI %	
Group	% of Salary	
Executive	40%	
Director	5%	--> to grades
Manager	3%	
Individual Contributor	3%	
Bargaining Units	1%	

		LTI %
Group	# Employees	% of Salary
Executive	15	40%
PG K	20	5%
PG J	44	5%
PG I	156	3%
PG H	72	3%
PG G	69	3%
PG F	31	3%
PG E	11	3%
CBUs	1562	1%
TOTAL	1980	

Slide 2 - performance unit plan

Definition of what a Performance Unit Plan is and purpose

Slide 3 - Performance measure and value

Performance Unit value is tied to Net Book Value for prior FY

Circuit Breaker and Performance Measure - Profit measures common in 64% of plans
EBITDA or Operating Income (Absolute values)
* EBITDA/OI as % of revenue (EBITDA Margin)
EBITDA = 18%, OI = 7%
source: Aon

360609	386699	382434	366486	375505
390675	494478	463510	430147	415099
751284	881177	845944	796633	790604
-14.7%	4.2%	6.2%	0.8%	

Slide 4 - sample grants (# shares)
Group/average salary/# units/grant value
Day 1 of plan - unit = $100

Group	Average Salary	# Units	Grant Value
Executive	$269,683	1079	$107,873.20
PG K	$158,488	80	$7,924.40
PG J	$139,378	70	$6,968.90
PG I	$111,129	34	$3,333.87
PG H	$95,378	29	$2,861.34
PG G	$81,951	25	$2,458.53
PG F	$68,728	21	$2,061.84
PG E	$54,971	17	$1,649.13
CBUs	$73,716	8	$737.16

Rounded up to first whole unit

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do we round the units up?

Slide 5 - 3 year cycle - value creation and accrual

	FY20	FY21	FY22
Target Pool	$4,231,287.00	$4,358,225.61	$4,488,972.38
Net Book Value	$2,850,000,000	$2,975,000,000	$3,125,000,000
Performance Unit Value	$100	$104.4	$109.43
Total Units Outstanding	42313	84064	125086

$125,000,000 $150,000,000

*Target pool assumes 3% in salary increases/year
*hypothetical book values
1% increase in book value = $5 added

Slide 6 - Performance Measures + Thresholds
EBITDA (operating income + depr + amort)
EBITDA Margin
What has historical value been? What is forecast?
How does that translate to threshold, target, and above target?

Slide 7 - Hypothetical Pay out

50/100/150 as percent of PU price
Based on executive and director

Employee Salary	number of units	Value of Unit (End of 3-Year Cycle)	Net EBITDA Change (End of 3-Year Cycle)	Total Payout
$300,000	1200	$109	2.50%	$ 65,400.00
			5.00%	$ 130,800.00
			7.50%	$ 196,200.00
$150,000	75	$109	2.50%	$ 4,087.50
			5.00%	$ 8,175.00
			7.50%	$ 12,262.50
$115,000	35	$109	2.50%	$ 1,907.50
			5.00%	$ 3,815.00
			7.50%	$ 5,722.50
$70,000	7	$109	2.50%	$ 381.50
			5.00%	$ 763.00
			7.50%	$ 1,144.50

JEA

Total Market Compensation Strategy

Performance Unit Plan
July 2019

EXHIBIT
5
Kendrick 6/29/2
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JEA

GUIDING PRINCIPLES

ACCELERATING UTILITY INNOVATION

Core Competencies

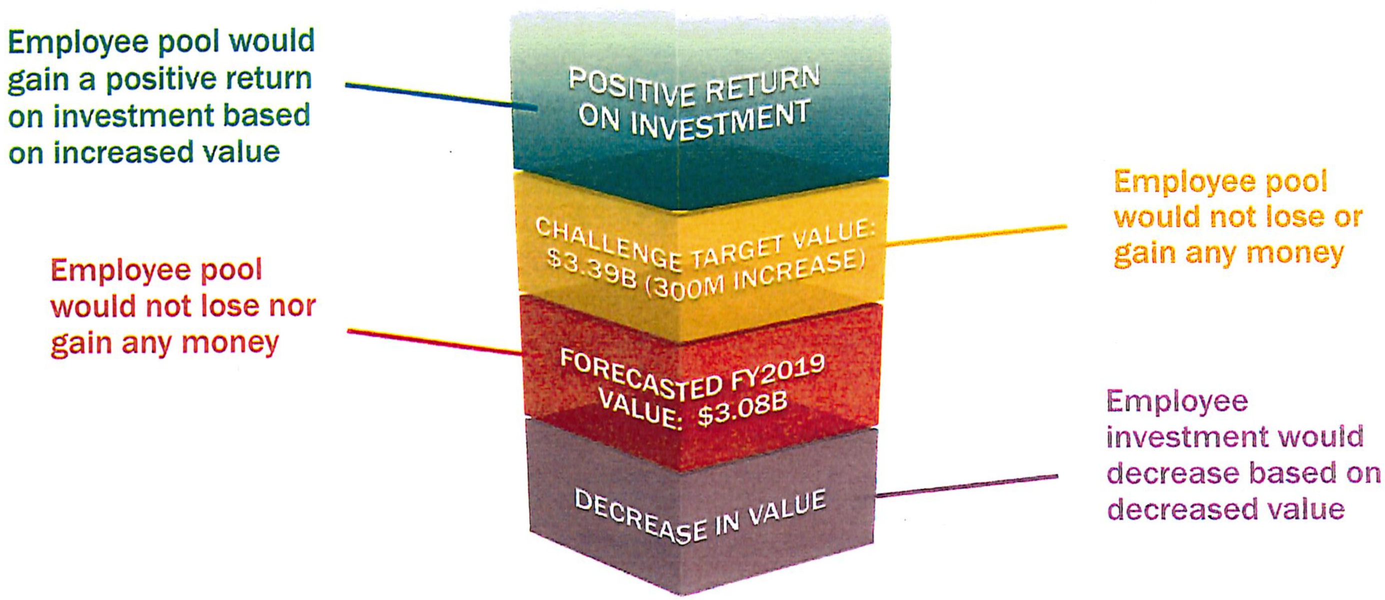
The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision

Work together to elevate the entire team

COMP IS A KEY DRIVER

Core competencies accelerate results

EXAMPLE REDEMPTION VALUE OF THE PUPS



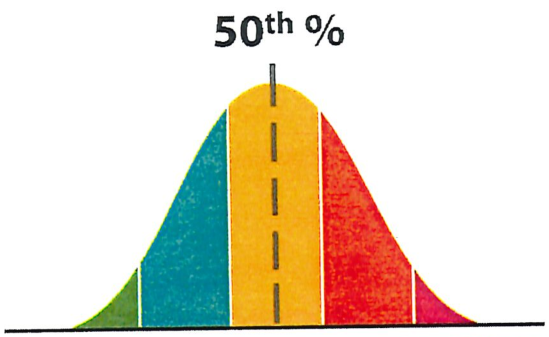
- Employee PUP pool equal to 10% of value created in excess of the challenge target value
- Employees must increase the value of JEA by at least $300 million by 2022 to receive the benefit
- Calculated value is sum of the net position, city contribution and any refunds to customers

ELEVATE THE ENTIRE TEAM

1. Ensure JEA's corporate compensation philosophy is aligned with JEA's Guiding Principles
2. Encourage long-term culture of value creation
3. Establish formal compensation policy to align behavior to 4 Corporate Measures of Value and market based compensation
4. Ensure policy promotes collaboration to drive Vision and Mission

Employee incentives should drive "value" & "teamwork"

REMINDER



JEA's total compensation structure should both compete with the market for talent & drive results aligned with "guiding principles"

JEA'S COMPENSATION PHILOSOPHY

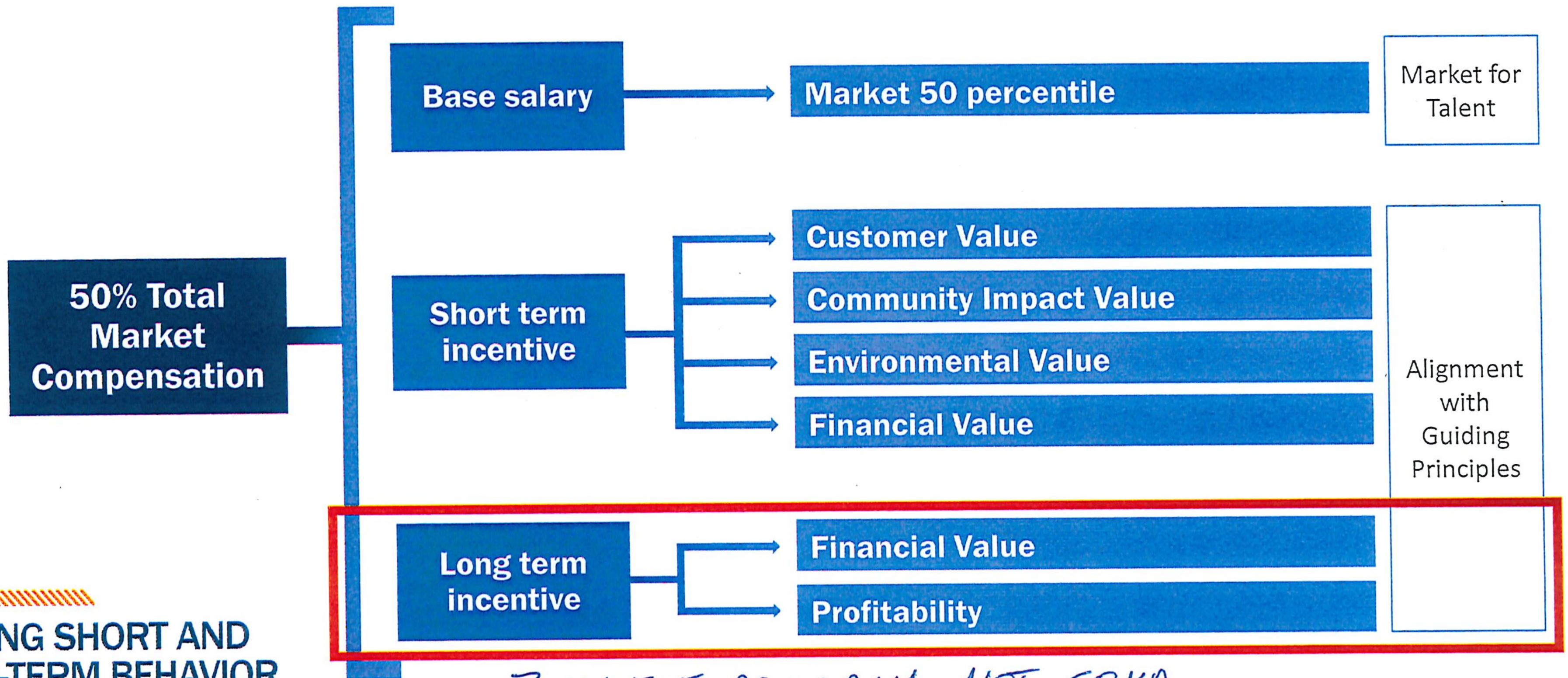
JEA Board Policy Manual

(Revision to Policy 2.7 adopted by JEA Board on January 22, 2019)

"With respect to employment, compensation, and benefits to employees, consultants, and contract workers, the CEO shall-promote a compensation philosophy that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits that align with and drive JEA's Corporate Measures of value: 1) Customer; 2) Financial; 3) Environmental; and 4) Community Impact.

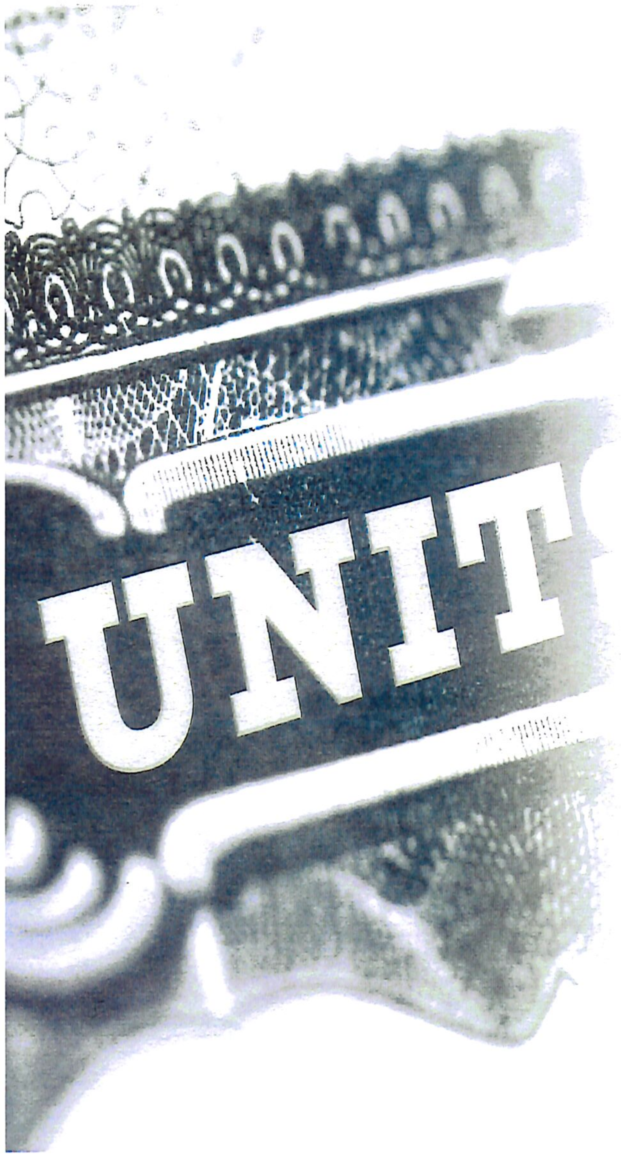
Total compensation will meet the market (50% percentile), which is where the majority of companies in the industry and geographical area reside. Total compensation will include Base Salary, Short Term Incentives and Long Term Incentives. The 50th percentile pays competitively for behavior that meets expectations. Short term and long term incentives will align to and drive JEA's Corporate Measures of Value. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs."

Establish a Formal Compensation Policy to Align with: 1) Talent Market and 2) Guiding Principles



DRIVING SHORT AND LONG-TERM BEHAVIOR

BENEFIT PROGRAM, NOT COMP
AFTER RESEARCH. — IN LIEU OF. . .
① COLLECTIVE BARGAINING
② RULES – GOT AROUND   FL 215   CLARITY



PERFORMANCE UNIT PROGRAM

- Compensation committee proposes adoption of a performance unit plan (“PUP”) which would be a new benefit program provided to employees
- It is designed to allow employees to participate in the upside and downside as the business changes
- Employees will be eligible to purchase JEA performance units for $10 per unit
- Units will increase or decrease in value based on the financial performance of JEA over a 3–year performance period
- Employees will be required to remain employed through the end of the performance period to benefit from any increase in value
- For the first performance period (FY2020 to FY2022) it is recommended that 30,000 performance units be made available for purchase

JEA

Total Market Compensation Strategy

Compensation Committee
June 2018

GUIDING PRINCIPLES
ACCELERATING UTILITY INNOVATION

JAN COMP & BOARD

Core Competencies

The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision

Work together to elevate the entire team

TOTAL STRATEGY FOR
TOTAL EE POPULATION

Core competencies accelerate results

ELEVATE THE ENTIRE TEAM

1. *Ensure JEA's corporate compensation philosophy is aligned with JEA's Guiding Principles*
2. *Encourage long-term culture of value creation*
3. *Establish formal compensation policy to align behavior to 4 Corporate Measures of Value and market based compensation* N+M
4. *Ensure policy promotes collaboration to drive Vision and Mission*

Employee incentives should drive "value" & "teamwork"

Compensation Efforts to Date

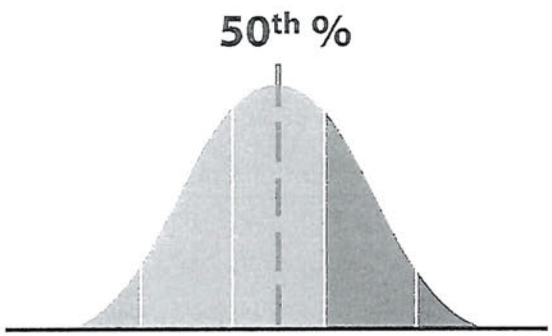
January	February - June

Board Approval of:
- Guiding Principles
- Development of a Compensation Framework
- Extending CEO contract through 7/31/19
- Change to Board Policy Manual

...eloped and presented to the Board

...mework developed with the assistance of Willis Towers Watson

CEO Contract prepared



JEA's total compensation structure should both compete with the market for talent & drive results aligned with "guiding principles"

JEA'S COMPENSATION PHILOSOPHY

JEA Board Policy Manual

(Revision to Policy 2.7 adopted by JEA Board on June 17, 2014)

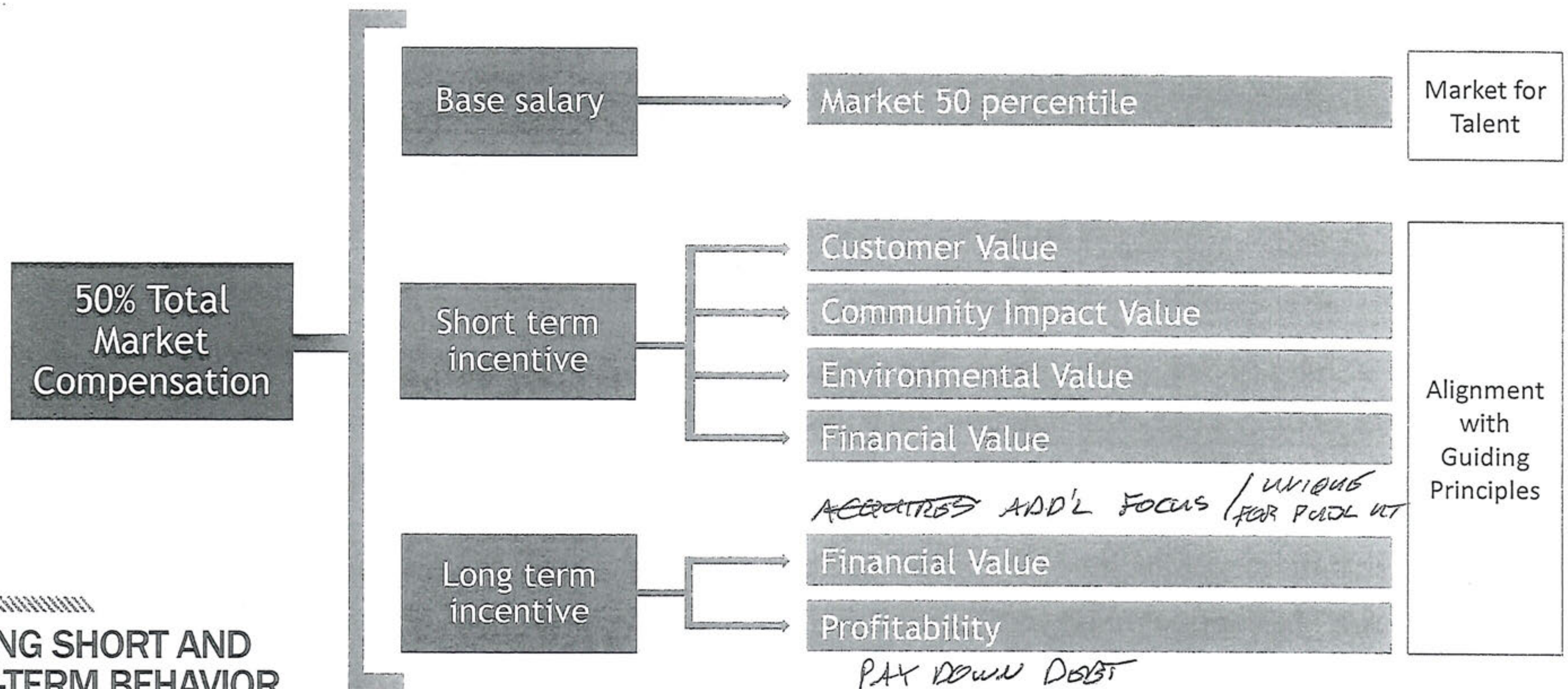
"With respect to employment, compensation, and benefits to employees, consultants~~,~~ and contract workers, the CEO shall-promote a compensation philosophy that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits that align with and drive JEA's Corporate Measures of value: 1) Customer; 2) Financial; 3) Environmental; and 4) Community Impact.

Total compensation will meet the market (50% percentile), which is where the majority of companies in the industry and geographical area reside. Total compensation will include Base Salary, Short Term Incentives and Long Term Incentives. The 50th percentile pays competitively for behavior that meets expectations. Short term and long term incentives will align to and drive JEA's Corporate Measures of Value. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs."

DIRECTION WE HAVE PURSUED

I CAME IN TOWARD THE END.

Establish a Formal Compensation Policy to Align with: 1) Talent Market and 2) Guiding Principles



PAY DOWN DEBT
INVEST IN INFRASTRUCTURE
PROVIDES CONTR TO CITY

DRIVING SHORT AND LONG-TERM BEHAVIOR

Take from Appendix

Pulled some of that

Compensation Benchmarking Summary

Appointed Population vs. Market 50th Percentile Variances By Job Level

- The following exhibits summarize variances comparing incumbent pay data with market data from job weighted perspective for the Appointed population only
- Variances are lower to market for executives and directors at target bonus %, target TCC, and target TDC compared to the other job levels
  - JEA provided performance bonuses to Appointed employees in April to begin closing the gap on base salary – the budget was 2.5%.

Total Cash Comp

Total Direct Comp

TCC - fixed + variable

TDC - fixed, variable + LTI

TCP - incl benefits

Job Weighted:

w/o this

Level	Average Base Salary Variance	Average Target Bonus % Absolute Variance	Average Target TCC Variance	Average Long-term Incentive % Absolute Variance	Average Target TDC Variance
Executive	-12%	-33%	-28%	--	-42%
Director	-1%	-10%	-8%	--	-13%
Manager	-2%	-5%	-6%	--	-6%
Individual Contributor	-1%	-2%	-1%	--	-1%
Total	-2%	-7%	-6%	--	-7%

Short-Term Incentive Plan Practices

Target Incentive Award Opportunities

- Target incentive opportunities typically increase with job level, and are relatively similar in both the Utility and General Industries
- Note that we have recommended STI targets as part of our analysis to "close the gap" YOU JUST SAW between market and JEA's desired competitive positioning

Target Incentive Award Opportunities – By Job Level

Role/Career Level	Target STI Opportunities	
	Utilities	General Industry
Senior Directors	25%	[redacted]
Managers	15%	[redacted]
Supervisors	10%	[redacted]
Senior Level Professionals	13-20%	[redacted]
Entry-Mid Level Professionals	7-10%	[redacted]
Non-exempt	5%	[redacted]

Source: Willis Towers Watson 2018 General Industry and Energy Services MMPS Compensation Survey Reports – U.S.

Long-Term Incentive Plan Design

Introduction

DIFFERENCE MAKER / GAME CHANGER

Why Companies Have Long-Term Incentive Plans	Factor Driving JEA Inclusion of LTI
Focus on long-term performance and align performance to long-term business strategies	✓
Necessary component of a market competitive compensation program for investor owned utilities GIVEN	✓
Aligns the interests of employees with stakeholders (CUSTOMERS, CITY, CITIZENS BOARD) SOLID JEA – STAYING	✓
Fosters long-term retention	✓
Encourages teamwork and collaboration across groups, functions, businesses, etc.	✓
Rewards for long-term shareholder/stakeholder value creation	✓
Balances focus on short-term results that are driven by annual incentives	✓

Long-Term Incentive Plan Design

Proposed Design

- *Given consideration of the overarching goal to allow all employees the opportunity to share in the long-term success of the company, we propose a multi-pronged LTI design approach below:*

LTI Plan Funding	LTI Award Vehicles	LTI Eligibility	Award Frequency	Performance Measure	Performance Cycle / Vesting
Self Funded based on Contribution to City	Performance Unit*	All Employees	Annual	Customer Rates	3 Years
	PRIV. INDUSTRY CERTAIN METRICS LONG FOR LTI OEF COMP		ONCE CYCLE STARTS		
	Time-Based Unit*	Critical Skilled / Retention Risk	Ad Hoc	Not Applicable	3 Year Cliff
				OTHER THAN TIME	GOT 100% NO INCREMENTAL VESTING

NEXT SLIDE

* Value of units tied to JEA Net Book Value.

CFO

Fleshes

Long-Term Incentive Plan Design

Proposed Design Details: Performance Unit

Performance Unit

Plan Design Element	Plan Design Details
Award Vehicle	• Performance Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined
Eligibility	• All employees would be eligible in order to drive collective focus on JEA long-term performance
Target Award Opportunity (as % of base salary)	• Award opportunities vary based on level in the organization (see page 31 for proposed targets); Management and Board's intent is to close competitive gap to market for LTI in first year of grant and ensure JEA compensation is competitive with market 50th percentile
Award Frequency	• Annual
Circuit Breaker MUST BE PAID	• Defined level of contribution to the City will be established for each award cycle; intent is for contribution level to ensure LTI plan is self funded no level of detail/clarity
Performance Measures	• Net Book Value: used to determine Performance Unit value • Customer Rates: performance measure used to modify the number of Performance Units earned; performance goal to be determined
Performance Period	• 3-year performance cycle with overlapping cycles due to annual grant frequency 2019 2020 2021 2022 2023 2024 Target Established — Award Payout Target Established — Award Payout
Payout Range	• Threshold: 50% of Target • Maximum: 150% of Target
Estimated Cost	• Estimated cost of annual Performance Unit awards to all employees based on current incumbent base salaries* is $3.4M

*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.

Self funding?
Inbound cash flow
vs ?
2nd ?
Rate is set by Board so?

why single out Cut Rates?

Tweak "Circ Br"
↑ Savings 2 ways: (1) efficiency biz - save; (2) other rev str
or save
↑ Rates
↑ Rev Source

Proposed Compensation Adjustments

Market Positioning Based on Proposed Pay Adjustments

- The following exhibit summarizes the competitive position of JEA pay based on the target bonus % and LTI % adjustments needed to align pay with market median
  - All levels approximate or exceed the market median for target TDC, thereby aligning with the Board's articulated competitive compensation positioning
    - Proposed target bonus % and LTI % for executives bring target TDC to market competitive levels; therefore, material base salary adjustments are not required
    - Bargaining Unit variance exceeds market median target TDC due primarily to variances that are calculated based off of step structure base salaries

DIRECTION YOU PROVIDED

Job Weighted:

Level	Average Base Salary/Midpoint Variance (Median)	Average Target Bonus %		Proposed Target TCC Variance (Median)	Average Long-term Incentive %		Proposed Target TDC Variance (Median)
	JEA	JEA Proposed	Market	JEA	JEA Proposed	Market	JEA
Executive	-12%	45%	[redacted]	-6%	40%	[redacted]	-2%
Director	-1%	20%	[redacted]	2%	5%	[redacted]	1%
Manager	-2%	10%	[redacted]	-3%	3%	[redacted]	-1%
Individual Contributor	-1%	7%	[redacted]	-1%	3%	[redacted]	2%
Bargaining Units	11%	2%	[redacted]	8%	1%	[redacted]	9%
Total	3%	8%	[redacted]	2%	3%	[redacted]	3%

Note: Market data provided by JEA.

Compensation Plans

June	July	August	September	October
Presentation to the Comp Committee – 6/18 Presentation to the Board – 6/25	Hold Shade Meeting to discuss labor negotiations Develop economic strategy for negotiations	Finalize Comp Plan and begin installing components	Publicize Comp Plan to employees	Full implementation of Comp Plan

mpensation Plan as directed by the Board

aining Unit negotiations and finalize contracts

From: Lutrin, Jessica <jessica.lutrin@pillsburylaw.com>
Sent: Friday, August 16, 2019 3:53 PM
To: Rhode, Lynne C. (City of Jacksonville)
Subject: RE: For review

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Hi Lynne,

Attached please find my comments to the allocation parameters (clean and a redline). I've marked a couple of items for your consideration in yellow. I know that you're working on an introduction, but I added a mini introduction for purposes of framing a couple of the issues in the parameters.

Please call or email with any questions.

Best,
Jessica

Jessica Lutrin | Partner
Pillsbury Winthrop Shaw Pittman LLP
31 West 52nd Street | New York, NY 10019-6131
t +1.212.858.1090
jessica.lutrin@pillsburylaw.com | website bio [pillsburylaw.com]

From: Rhode, Lynne C. (City of Jacksonville) <rhodlc@jea.com>
Sent: Friday, August 16, 2019 10:02 AM
To: Lutrin, Jessica <jessica.lutrin@pillsburylaw.com>
Subject: For review

EXHIBIT P
7
Kendrick 6/29/20
PENGAD 800-631-6989

*** EXTERNAL EMAIL ***

Under Section 3 of the *, at my sole and reasonable discretion, I (as Administrator) am directed to interpret the * and to, among other powers, determine the number of [PU] that may be purchased by a * Participant and (under Section 6) notify each employee of the maximum number of [PU] that employee may purchase. A total of 100,000 [PU] will be issued and allocated. "[PU]" means "a bookkeeping entry representing a potential right [of a * Participant] to receive a payment under this *." A Participant is an employee who makes a deferral election to purchase [PU] under the *. Also under Section 3, I may delegate any of my responsibilities to JEA's senior executive management.

In order to further the purpose of the * and in accordance with my duties as Administrator, I delegate my authority to you, as CEO, to assign to and notify each eligible employee of the maximum number of [PU] he or she may purchase, *within the following parameters*:

(1) The maximum number of [PU] each eligible employee may purchase shall be based on two factors: (i) a base number of [PU] in accordance with the employee's position level at JEA and (ii) an increase or decrease or

no change to the base number of [PU] based on the employee's performance during the most recent twelve month period prior to the time at which the allocation is determined.

(2) Each employee's performance for the purpose of this allocation shall be measured by his or her assessment under the annual JEA Performance Ranking Program.

(3) The position levels at JEA for the purpose of this allocation shall be: Manager, Individual, Civil Service, Director, Senior Leadership Team, Executive Leadership Team, and Chief Executive Officer. I note that temporary JEA employees are ineligible for * participation.

(4) One-hundred percent of the 100,000 [PU] available shall be allocated.

(5) [PU] must be purchased as whole units.

(6) Allocated units that are not purchased by the requisite deadline shall be reallocated as available for purchase on a pro-rata basis to eligible employees. [Upon notice of the number of reallocated [PU] available for purchase, eligible employees will need to complete an additional Schedule I to their executed Agreement.]

(7) The allocation for the Chief Executive Officer shall be [%] of the total 100,000 Performance Units. [I have determined that the CEO has exceeded his performance metrics ____________ and such [%] allocation is inclusive of both a base number of [PU] and a performance-based number of [PU].]

(8) The allocation for all eligible employees at the Manager, Individual, Civil Service, Director, Senior Leadership Team, and Executive Leadership Team shall total the remaining [%] of the total 100,000 [PU].

(9) No position level shall be allocated in excess of [20%] of the next highest position level allocation.

(10)The base number of [PU] allocated to each eligible employee shall be based solely on his or her position level and shall be uniform for all employees within each position level.

(11)The increase or decrease or no change to the base number of [PU] based on the employee's assessment under the annual JEA Performance Ranking Program shall be determined on an individual employee basis.

Lynne C. Rhode
Vice President and Chief Legal Officer
21 West Church Street Jacksonville, FL 32202
Office: (904) 665-4115
Email: rhodlc@jea.com

JEA
Building Community

original sender or the Pillsbury Winthrop Shaw Pittman Help Desk at Tel: 800-477-0770, Option 1, immediately by telephone or by return E-mail and delete this message, along with any attachments, from your computer. Thank you.

Introduction

Pursuant to the authority in Section 3 of the * (the "*"), this letter (this "Letter") contains the parameters for use in administering the *. Also under Section 3 of the *, I may delegate any of my authority under the * to JEA's senior executive management and, as described below, I delegate my authority to you, as JEA's CEO, as set forth in this Letter. [Will the Compensation Committee adopt resolutions delegating authority under the * to the CEO? This is how delegation is typically accomplished.]

Capitalized terms not otherwise defined in this Letter have the same meanings as those found in Section 2 of the *.

Allocation Parameters

Under Section 3 of the *, in my sole but reasonable discretion, I (as Administrator of the *) am authorized to interpret the * and to, among other powers, determine the number of [PU] that may be purchased by a * Employee and (under Section 6) notify each Employee of the maximum number of [PU] that each such Employee may purchase under the *. A total of 100,000 [PU] will [may?] be issued and allocated. [See comment below.]

Only Employees are eligible to participate in the *. The * defines an "Employee" as, except as otherwise recommended by you, as JEA's CEO, and approved by me, as Administrator, any full-time employee of the JEA Group who has been employed by any member of the JEA Group for at least three months prior to the Purchase Date or any full-time attorney from the Office of the General Counsel of the City of Jacksonville who is dedicated exclusively to JEA for at least three months prior to the Purchase Date.

In order to further the purpose of the * and in accordance with my duties as Administrator of the *, I delegate my authority to you, as CEO of JEA, to allow each Employee (other than yourself as CEO) [The CEO should not have the ability to determine his allocation.] to purchase a maximum number of [PU] determined in accordance with the following parameters and to notify each such Employee of the maximum number of PU that may be purchased by such Employee:

(1) The maximum number of [PU] each Employee may purchase shall be determined based on two factors: (i) a base number of [PU] determined in accordance with each such Employee's position level at JEA (the "Base Number") and (ii) an increase or decrease or no change to the Base Number of [PU] based on such Employee's performance during the most recent twelve month period prior to the time at which the allocation is determined. [Are there circumstances where, based on performance, an employee should receive zero PUs – e.g., where an employee is on probation? If yes, then consider specifying as such.]

   (i) The position levels at JEA for the purpose of this allocation shall be: Manager, Individual, Civil Service, Director, Senior Leadership Team, and Executive Leadership Team. [Do these position levels include OGC attorneys?] Temporary JEA employees are ineligible for * participation.

   (ii) Each Employee's performance for the purpose of this allocation shall be measured by his or her assessment under the annual JEA Performance Ranking Program. [See comment below.]

(2) One-hundred percent of the 100,000 [PU] available shall be allocated. [Allocating all the PUs and re-allocating PUs that are not purchased suggests that the * is not long-term which had initially been expressed as a concern.]
(3) [PU] must be purchased as whole units.
(4) Allocated units that are not purchased by the requisite deadline shall [may?] be reallocated as available for purchase on a pro-rata basis to Employees. [What happens if there are not enough PUs to be reallocated to all employees – e.g., will participation be determined based on seniority? What happens if there are not enough PUs for employees to receive whole PUs? What happens if all the PUs are still not purchased after being reallocated?] [Upon notice of the number of reallocated [PU] available for purchase, Employees will need to complete an additional Schedule I to their executed Agreement.] [Recommended that participants sign new Schedule I for additional PUs purchased. Will reallocated PUs only be available for purchase by employees who purchased PUs in the first round?]
(5) The allocation for the Chief Executive Officer shall be [%] of the total 100,000 [PU]. [I have determined that the CEO has exceeded his performance metrics ____________ and such [%] allocation is inclusive of both a base number of [PU] and a performance-based number of [PU].] [It would be typical for the number of PUs to be awarded to the CEO to be determined in the Compensation Committee resolutions. Also, if the allocation for non-CEO employees is determined based on the annual JEA Performance Ranking Program, should the same should apply to the CEO? Additionally, this should be moved to a separate section because its current placement in the letter suggests that the CEO has the authority to determine his own allocation, which is not the case.]
(6) The allocation for all Employees at the Manager, Individual, Civil Service, Director, Senior Leadership Team, and Executive Leadership Team shall total the remaining [%] of the total 100,000 [PU].
(7) No position level shall be allocated in excess of [20%] of the next highest position level allocation.
(8) The Base Number of [PU] allocated to each Employee shall be based solely on his or her position level and shall be uniform for all Employees within each position level.
(9) The increase or decrease or no change to the Base Number of [PU] based on the Employee's assessment under the annual JEA Performance Ranking Program shall be determined on an individual employee basis. [How will this work as a practical matter? Will the CEO review all 2,000 employees and adjust up or down/make no change? If so, should there be parameters for the upward/downward/no change adjustment? For example, the employee's ranking could equate to a multiplier – e.g., employees who are ranked 5 are allocated a number of PUs equal to the Base Number multiplied by 1.25; employees who are ranked 4 are allocated a number of PUs equal to the Base Number multiplied by 1.20, etc.]

Introduction

Pursuant to the authority in Section 3 of the * (the "*"), this letter (this "Letter") contains the parameters for use in administering the *. Also under Section 3 of the *, I may delegate any of my authority under the * to JEA's senior executive management and, as described below, I delegate my authority to you, as JEA's CEO, as set forth in this Letter. [Will the Compensation Committee adopt resolutions delegating authority under the * to the CEO? This is how delegation is typically accomplished.]

Capitalized terms not otherwise defined in this Letter have the same meanings as those found in Section 2 of the *.

Allocation Parameters

Under Section 3 of the *, ~~at~~in my sole ~~and~~but reasonable discretion, I (as Administrator of the *) am ~~directed~~authorized to interpret the * and to, among other powers, determine the number of [PU] that may be purchased by a * ~~Participant~~Employee and (under Section 6) notify each ~~employee~~Employee of the maximum number of [PU] that ~~employee~~each such Employee may purchase under the *. A total of 100,000 [PU] will [may?] be issued and allocated. ~~"[PU]" means "a bookkeeping entry representing a potential right [of a * Participant] to receive a payment under this *." A Participant is an employee who makes a deferral election to purchase [PU] under the *. Also under Section 3, I may delegate any of my responsibilities to JEA's senior executive management.~~[See comment below.]

Only Employees are eligible to participate in the *. The * defines an "Employee" as, except as otherwise recommended by you, as JEA's CEO, and approved by me, as Administrator, any full-time employee of the JEA Group who has been employed by any member of the JEA Group for at least three months prior to the Purchase Date or any full-time attorney from the Office of the General Counsel of the City of Jacksonville who is dedicated exclusively to JEA for at least three months prior to the Purchase Date.

In order to further the purpose of the * and in accordance with my duties as Administrator of the *, I delegate my authority to you, as CEO of JEA, to ~~assign to and notify each eligible employee of the~~ allow each Employee (other than yourself as CEO) [The CEO should not have the ability to determine his allocation.] to purchase a maximum number of [PU] ~~he or she may purchase, *within*~~determined in accordance with the following parameters and to notify each such Employee of the maximum number of PU that may be purchased by such Employee:

(1) The maximum number of [PU] each ~~eligible employee~~Employee may purchase shall be determined based on two factors: (i) a base number of [PU] determined in accordance with ~~the employee's~~each such Employee's position level at JEA (the "Base Number") and (ii) an increase or decrease or no change to the ~~base number~~Base Number of [PU] based on ~~the employee's~~such Employee's performance during the most recent twelve month period prior to the time at which the allocation is determined. [Are there circumstances where, based on performance, an employee should receive zero PUs – e.g., where an employee is on probation? If yes, then consider specifying as such.]

~~(2) Each employee's performance for the purpose of this allocation shall be measured by his or her assessment under the annual JEA Performance Ranking Program.~~

(i) ~~(3)~~ The position levels at JEA for the purpose of this allocation shall be: Manager, Individual, Civil Service, Director, Senior Leadership Team, and Executive Leadership Team~~, and Chief Executive Officer. I note that temporary~~. [Do these position levels include OGC attorneys?] Temporary JEA employees are ineligible for * participation.

(ii) Each Employee's performance for the purpose of this allocation shall be measured by his or her assessment under the annual JEA Performance Ranking Program. [See comment below.]

(2) ~~(4)~~ One-hundred percent of the 100,000 [PU] available shall be allocated. [Allocating all the PUs and re-allocating PUs that are not purchased suggests that the * is not long-term which had initially been expressed as a concern.]

(3) ~~(5)~~ [PU] must be purchased as whole units.

(4) ~~(6)~~ Allocated units that are not purchased by the requisite deadline shall [may?] be reallocated as available for purchase on a pro-rata basis to ~~eligible employees.~~Employees. [What happens if there are not enough PUs to be reallocated to all employees – e.g., will participation be determined based on seniority? What happens if there are not enough PUs for employees to receive whole PUs? What happens if all the PUs are still not purchased after being reallocated?] [Upon notice of the number of reallocated [PU] available for purchase, ~~eligible employees~~Employees will need to complete an additional Schedule I to their executed Agreement.] [Recommended that participants sign new Schedule I for additional PUs purchased. Will reallocated PUs only be available for purchase by employees who purchased PUs in the first round?]

(5) ~~(7)~~ The allocation for the Chief Executive Officer shall be [%] of the total 100,000 ~~Performance Units~~[PU]. [I have determined that the CEO has exceeded his performance metrics ____________ and such [%] allocation is inclusive of both a base number of [PU] and a performance-based number of [PU].] [It would be typical for the number of PUs to be awarded to the CEO to be determined in the Compensation Committee resolutions. Also, if the allocation for non-CEO employees is determined based on the annual JEA Performance Ranking Program, should the same should apply to the CEO? Additionally, this should be moved to a separate section because its current placement in the letter suggests that the CEO has the authority to determine his own allocation, which is not the case.]

(6) ~~(8)~~ The allocation for all ~~eligible employees~~Employees at the Manager, Individual, Civil Service, Director, Senior Leadership Team, and Executive Leadership Team shall total the remaining [%] of the total 100,000 [PU].

(7) ~~(9)~~ No position level shall be allocated in excess of [20%] of the next highest position level allocation.

(8) ~~(10)~~ The ~~base number~~Base Number of [PU] allocated to each ~~eligible employee~~Employee shall be based solely on his or her position level and shall be uniform for all ~~employees~~Employees within each position level.

(9) ~~(11)~~ The increase or decrease or no change to the ~~base number~~Base Number of [PU] based on the ~~employee's~~Employee's assessment under the annual JEA Performance Ranking Program shall be determined on an individual employee basis. [How will this work as a practical matter? Will the CEO review all 2,000 employees and adjust up or down/make no change? If so, should there be parameters for the upward/downward/no change adjustment? For example, the employee's ranking could equate to a multiplier – e.g., employees who are ranked 5 are allocated a number of PUs equal to the Base Number

multiplied by 1.25; employees who are ranked 4 are allocated a number of PUs equal to the Base Number multiplied by 1.20, etc.]

Summary report: Litera® Change-Pro for Word 10.5.0.0 Document comparison done on 8/16/2019 2:52:36 PM	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original filename: JEA - Allocation Parameters.docx	
Modified filename: JEA - Allocation Parameters(1).docx	
Changes:	
Add	65
~~Delete~~	41
~~Move From~~	7
Move To	7
Table Insert	0
~~Table Delete~~	0
Table moves to	0
~~Table moves from~~	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	120

The Florida Times-Union
jacksonville.com

Opinion

Guest column: JEA answers concerns about retention bonuses

By Jon Kendrick

Posted Nov 3, 2019 at 2:01 AM

JEA's primary responsibility is to provide the community we serve with safe and reliable electric, water and wastewater services.

That starts with the people who provide these services, JEA employees. As various recapitalization possibilities are discussed, our employees need to know that their future is at the forefront of the minds of JEA's leadership.

Therefore, JEA is offering retention agreements to all 2,000 employees. These agreements are meant to incentivize JEA employees to continue to serve the customers of Northeast Florida if a recapitalization event occurs. Offering retention agreements as an employee incentive is a very common business practice.

As the chief human resources officer serving all 2,000 JEA employees, this past week's news headlines were particularly distressing to me. Perpetuating a narrative that implies JEA's senior leadership team has a significant financial interest in a recapitalization event via retention agreements is inaccurate and implies that the senior leadership team doesn't have employees' best interests at heart.

Not only is the narrative inaccurate, it is careless. As a JEA senior leader whose job it is to first serve others and look out for the interests of our employees, I'm in a good position to set the record straight.

April Green, chair of JEA's board of directors, said it best in her July 28 Times-Union guest column.

"We did not vote to sell JEA. We voted for JEA to pursue a path forward that protects its employees, customers and our larger community."

PENGAD 800-631-6989
EXHIBIT
8
Kendrick 6/29/20

The July 23 JEA board vote to allow the utility's senior leadership team to explore alternative, non-governmental options to its current structure was a vote for ensuring that JEA employees are taken care of in the best possible way.

In fact, at the July 23 JEA board meeting, JEA's board of directors publicly discussed and approved retention agreements for not only the 14-person senior leadership team, but for all full-time employees (should a recapitalization event occur).

These retention agreements were listed as one of the "minimum requirements" for any recapitalization effort. Each employee's retention agreement is equal to the amount of one year's salary, paid over three years: one-third on the day of closing a recapitalization event, one-third on the first anniversary of the event and one-third on the second anniversary of the event.

No one receives the retention payments unless and until they stay employed at JEA. Further, if any employee ceases to be employed during the retention period due to involuntary termination, the employee will still be eligible to receive the entire retention payment amount following the same timeline.

Again, these retention agreements were offered to all full-time JEA appointed employees, not only the senior leadership team. Retention agreements for JEA employees covered by a collective bargaining agreement were included in recently negotiated labor contracts, which have been ratified by all five unions represented at JEA and are awaiting approval by the City Council and mayor.

It's important to acknowledge that yes, JEA's senior leadership team's retention payments would be higher than their colleagues' (should a recapitalization event occur). This isn't a ruse, or an "incentive to sell," it is simply the result of higher salaries.

Until a course of action is decided upon and approved, lingering questions will remain about the future of JEA and its employees. The retention agreements are a tool to help allay the fears of our employees about their future.

It's easy to forget how dangerous it can be to keep electricity and water running into our homes. JEA's electrical linemen risk falls, electric shocks and burns and our water and wastewater workers also face treacherous situations daily.

We want them focused on safety as they provide quality service to our community. That is why the retention agreements were created.

Jon Kendrick is vice president and chief human resources officer for JEA.

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer
To: Dykes, Melissa H. - President/COO
Subject: Fw: PUP
Date: Wednesday, August 21, 2019 7:59:12 AM
Attachments: PUP table.xlsx

Here's and idea for forced ranking.

EXHIBIT
9
Kendrick 6/29/20

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Rating	Ranking	Bucket	Distribution	# Employees
Exceeds	Exceeds	1	5%	99
Exceeds	Meets High	2	10%	198
Meets	Meets	3	70%	1388
Meets	Meets Low	4	10%	198
Below	Does not meet*	5	5%	99
	Total		100%	1983

*This ranking is never 5%, lucky if you get 1%; suggest also considering the folks who actually are released during the year

From:	KHyde@foley.com
Sent:	Friday, December 13, 2019 9:15 AM
To:	Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Subject:	Re: A Letter from Mayor Curry to JEA Board

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Sure. Anytime before 11

Sent from my iPhone

On Dec 13, 2019, at 8:59 AM, Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com> wrote:

Kevin,

Can I call you with a couple of questions re this? Let me know a good time today, if there is one. Not good for me 11-3. Thanks.

Thanks.

Jon

From: Currents <currents@jea.com>
Sent: Thursday, December 12, 2019 7:38 PM
To: !(EVERYONE - JEA) <everyone_jea@jea.com>
Subject: A Letter from Mayor Curry to JEA Board

<image001.png>

A Letter from Mayor Curry to the JEA Board

Please see the attached pdf of the letter Mayor Curry sent to the JEA Board this evening.

EXHIBIT P 10 Kendrick 6/29/20 PENGAD 800-631-6989

OFFICE OF MAYOR LENNY CURRY

ST. JAMES BUILDING
117 WEST DUVAL STREET, SUITE 400
JACKSONVILLE, FLORIDA 32202

PH: (904) 255-5000
FAX: (904) 255-5032
www.coj.net

December 12, 2019

JEA Board members,

Thank you for your dedication to our community with your service on the JEA Board during a time of challenge. As you and the senior leaders of JEA know, the utility industry is facing marketplace disruption and technological innovation that presents very serious threats to the future success of a government-owned utility. Turning a blind eye to this would leave JEA on a course toward rapidly increasing rates, unconstrained debt, and more uncertainty for employees, customers, and taxpayers. So, again, thank you for continuing to put the best interest of the community foremost.

In the process of strategic planning, you and JEA leadership have opened a dialog related to five scenarios for the future of JEA. While much attention is focused on one scenario related to possible sale, I know and appreciate that JEA continues to simultaneously explore several scenarios and options that can ensure clean, consistent energy and water for our city. Unfortunately, facts about JEA's strategic planning and exploration of all scenarios in this process remain misunderstood or unknown by large segments of the community.

A process of vetting five different pathways and aligning them for simultaneous board consideration has been complicated, and decision-making of this magnitude is not easy. Nevertheless, I am convinced that you have all conducted the process openly and in accordance with the law.

Furthermore, despite the clear delineation of responsibilities between you as a board for an independent authority and our elected City Council (as defined in the Charter of the Consolidated Government of the City of Jacksonville), City Council has expressed the wish for an active role in the strategic planning options and challenges facing the JEA.

I am requesting a path that will acknowledge the important work accomplished by JEA over the past year and give City Council the strategic opportunity it seeks because both are important for the people of Jacksonville. Therefore, I ask you as a board to do the following:

1. At your board meeting next week, tell JEA senior leaders to prepare specific legislative requests for Council related to each of the five scenarios that have been laid out. The assignment is as simple as this question; What action would City Council need to take for each scenario to be possible and what challenges would remain even if Council accomplished the local legislative fixes for each? These requests would be prepared for simultaneous transmission to Council via a Board vote in January.

2. One of the scenarios includes the ongoing ITN process, so tell the senior leaders and their advisors to conclude the ITN by the end of January.

3. Although the ITN – as written today – seems to contemplate the board being presented and considering a single, final proposal, the leadership team and advisors should amend the ITN and conclude it by the January board meeting with a top tier of proposals rather than any single entity. And, rather than consideration of that proposal being reviewed and accomplished by you as a board, that top tier of the proposals should be given to City Council for them to review and consider their disposition legislatively as they see fit.

4. Immediately make available the time and resources of any JEA personnel or advisors needed to engage in a series of community townhalls on the future of JEA. While the JEA Board and City Council have done a lot of important work, the people of our city need to hear from JEA directly regarding all possible scenarios. Coordination and scheduling community meetings in each of the 14 districts represented on City Council must be the minimum standard. These meetings should be conducted before City Council and I take any formal action on the scenarios as provided to Council by the Board.

5. Finally, City Council has spoken much to old models of municipal utility service, so I would ask you to instruct the JEA team to consider a sixth scenario and prepare research on it. This scenario would be collapsing and moving the independent authority into a municipal department whose operation and budget is directly managed by City Council and the Mayor's Administration. Although, on its face this is a scenario I would be inclined to reject, I believe providing City Council research and legislative changes they can consider is important.

6. Confer with General Counsel Jason Gabriel to ensure the steps I'm proposing are done in compliance with the City Charter and all applicable laws.

I believe City Council has always had the authority to determine the next steps of the strategic planning process, but they have demonstrated they want to exercise this authority sooner with more flexibility. I believe if the December JEA Board meeting provides this guidance to senior leadership and advisors, and the January board meeting advances to Council all potentialities for all scenarios, Council will have every tool it needs to determine the future of JEA. They can take as much time as they need, and you – the JEA Board – and senior leadership can get back to the daily operations as we await Council's work.

The City Council can conclude the strategic planning process in conjunction with myself and JEA personnel as needed. Then, ultimately, the Council can also consider whether one option is sent to a ballot or if multiple options are sent to a ballot for voters consideration. Either way, the elected representatives of every person in Jacksonville will work together to ensure the future of the utility.

Lenny Curry
Mayor

IMPORTANT: PLEASE READ ME

Lynne, Ryan, Caren, Deryle, Steve, John, Paul, Jon, Ted, Shawn,

Attached to this note are the beginnings of the seller disclosure letter, a key component of an Asset Purchase Agreement. Under the APA, JEA is required to make certain reps and warranties, and our disclosure letter is our opportunity to list any exceptions to these general statements. Based on your position and expertise, you are in a position to lead the preparation of one or more sections of JEA's disclosure letter. You are not expected to have personal knowledge of all exceptions, and may draw on whatever resources needed to allow you to be comfortable that all exceptions to the reps/warranties for your section are properly catalogued.

Your list should only include items that are **NOT** otherwise disclosed by JEA on EMMA. This is great timing to be preparing this disclosure list because we are also working to finalize our annual disclosure report for FY19. If there are items that arise as a result of this work that are not in the ADR, please make sure Ryan is aware so they can be considered for inclusion in the ADR.

Each section of the disclosure letter is tagged with an orange label with one person's name assigned. If you have received this letter you have a section.

The electronic version of this cover note and the letter are in the data room in Confidential Draft Materials / APA and Related Documents. If you have questions, please let me know or reach out to Veronica Nunn at Pillsbury. Her contact information is in the instructions in the attachment. Please note the due date for the first draft is **Friday, November 22.**

Thank you in advance for your assistance with this important work.

Melissa

Disclosures
- exceptions
- affirmative

- Letter is suggested verbiage
- Anything in ADR not written here (Note it will be on EMMA). Over disclose

EXHIBIT
11
Kendrick 6/29/20
PENGAD 800-631-6989

Intralinks:

Confidential Draft Materials /

Management Presentation & Supporting Materials

Can mark up existing content &/or upload new content to folder.

Privileged and Confidential
Pillsbury Winthrop Shaw Pittman LLP *Draft* of 11.5.19

Guidelines for Preparation of the Seller Disclosure Letter

Dear JEA Team Member or Advisor:

We would like your assistance in preparing the following Seller Disclosure Letter as it relates to the Acquisition Agreement. As you may know, the Acquisition Agreement will contain a set of representations ("reps") and warranties (i.e., assertions of fact) about JEA, its business, assets, properties and liabilities. The Seller Disclosure Letter adds caveats and exceptions to these reps and warranties, discloses instances in which the reps and warranties are not true as drafted, and provides additional information where expressly required.

The pages that follow contain the first draft of each rep and warranty separated by section number. In order to anticipate potential bidder comments and to try to reduce additional work for JEA later in the process, we have deliberately made some of the reps and warranties more expansive than what we expect to include in the auction draft of the Acquisition Agreement initially provided to bidders (i.e., to reflect what a negotiated set of reps could look like). We ask that you please read each rep and warranty as it pertains to your area of work or expertise in JEA's business and disclose within such section with a bullet-point list any items that are either an exception to the rep or warranty being given or are responsive to an affirmative request for additional information. For our understanding, please also indicate which portion of the rep and warranty such noted exception is an exception to. Any information, however, that is expressly disclosed in a filing on the EMMA website (other than only in the Forward-Looking Statement and Associated Risk sections) on or after **[June 30, 2017]**, does not need to be included in the Seller Disclosure Letter.

Within some of the reps and warranties you may see qualifying phrases and words. Please interpret these qualifying phrases and words as follows for purposes of preparing the Seller Disclosure Letter:

(i) For any reference to "materiality" (other than with respect to the phrase "a JEA Material Adverse Effect," which has its own definition), please consider any item(s) valued at approximately **[$5,000,000]** or more to be material (or items that are difficult to quantify or unquantifiable in size, but considered significant in their value or their potential for loss to JEA or are otherwise significant to JEA's business). This general guidance applies to any qualifier regarding "materiality" unless a different standard is set forth within the rep or warranty.

(ii) For any reference made "to the knowledge of Seller", please interpret "knowledge" to mean the actual knowledge of **[complete list of names]**[1] and the knowledge that those individuals would have after making reasonable inquiry of their direct reports with respect to the particular matter in question.

A list of defined terms used in the reps. and warranties is attached following the Seller Disclosure Letter as Annex A.

Preparing this Seller Disclosure Letter will be an iterative process as the draft of the Acquisition Agreement progresses, and it is likely that we will come back to you requesting updates, confirmations, or additional information. We ask that first round comments please be returned to us by close of business on **Friday, November 22.**

[1] Note to JEA: Please confirm.

Thank you in advance and please reach out to us at our contact information below with any questions.

Jarrod D. Murphy | Partner T: +1.212.858.1227 jarrod.murphy@pillsburylaw.com	Veronica T. Nunn | Special Counsel T: +1.202.663.8008; M: +1. 951.756.6099 veronica.nunn@pillsburylaw.com	Alyssa Fiedler | Senior Associate T: +1.202.663.8023 alyssa.fielder@pillsburylaw.com

Seller Disclosure Letter

This disclosure letter and all attachments hereto (each of which is incorporated herein by reference) constitute the "Seller Disclosure Letter" referred to in the Asset Purchase Agreement (the "Agreement"), dated [•], by and between JEA ("Seller") and [•] ("Purchaser"). Any capitalized terms used in this Seller Disclosure Letter and not otherwise defined herein shall have the meaning defined in the Agreement, unless the context otherwise requires. All references to section numbers contained in this Seller Disclosure Letter refer to sections of the Agreement, unless the context otherwise requires.

Any matter set forth in any provision, subprovision, section or subsection of this Seller Disclosure Letter shall be deemed to be disclosed with respect to any other provision, subprovision, section or subsection of this Seller Disclosure Letter to the extent it is reasonably apparent on the face of such disclosure that such disclosure is applicable to such other provision, subprovision, section or subsection of this Seller Disclosure Letter. In no event shall the listing of such matters in this Seller Disclosure Letter be deemed or interpreted to broaden or otherwise amplify the representations and warranties regarding, or covenants of, Seller contained in the Agreement. No reference to or disclosure of any matter or item in this Seller Disclosure Letter shall be construed as an admission or indication that such matter or item is material or that such matter or item is required to be referred to or disclosed in this Seller Disclosure Letter. References to any document herein do not purport to be complete and are qualified in their entirety by the document itself. No dollar amount referenced herein is indicative of what is or is not material to Seller or the Business. Without limiting the foregoing, no such reference to or disclosure of a possible breach or violation of any Contract, Law or Order shall be construed as an admission or indication that a breach or violation exists or has actually occurred.

The information contained in this Seller Disclosure Letter is disclosed solely for the purposes of the Agreement, and no information contained in this Seller Disclosure Letter shall be deemed to be an admission by Seller to any third party of any matter whatsoever. In disclosing this information, Seller expressly does not waive any attorney-client privilege associated with such information or any protection afforded by the work-product doctrine with respect to any of the matters disclosed or discussed herein.

The descriptive headings of the sections of this Seller Disclosure Letter are inserted for convenience only, do not constitute a part of this Seller Disclosure Letter and shall not affect in any way the meaning or interpretation of this Seller Disclosure Letter.

The information contained in this Disclosure Schedule is confidential, proprietary information, and Purchaser and its affiliates are obligated to maintain and protect the confidentiality of such information pursuant to the terms of the Agreement and the Confidentiality Agreement.

Lynne

Section 3.1

Organization and Qualification

[Organization and Qualification of Seller. Seller is a body politic and corporate duly organized and validly existing under the Laws of the State of Florida and has all requisite power and authority to own, lease or operate the ***[material]*** *properties and* ***[material]*** *assets now owned, leased or operated by it and to carry on the Business as presently conducted.* ***[Seller is duly qualified or licensed to transact business and is in good standing (if applicable) in each jurisdiction in which the property and assets it owns, leases or operates, or the nature of the business it conducts, makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not have a JEA Material Adverse Effect.]]***

Lynne

Section 3.2

Authority

[Authority of Seller. Seller has all requisite body politic power and authority to enter into this Agreement and the Ancillary Documents to which Seller is a party, to carry out its obligations hereunder and thereunder, and to consummate the transactions contemplated hereby and thereby. ***[Subject to the City Council Approval and the City Referendum Approval,]*** *the execution and delivery by Seller of this Agreement, the performance by Seller of its obligations hereunder and the consummation by Seller of the transactions contemplated hereby have been duly authorized by all requisite body politic action on the part of Seller. This Agreement has been duly executed and delivered by Seller and, assuming the due authorization, execution and delivery by Purchaser, constitutes a legal, valid and binding obligation of Seller enforceable against Seller in accordance with its terms, subject to bankruptcy, insolvency, reorganization, fraudulent transfer, moratorium or similar laws affecting creditors' rights generally and by general principles of equity, whether considered in a proceeding in equity or law[2] (such laws and principles, collectively, the "Enforceability Exception"). When each Ancillary Document to which Seller is or will be a party has been duly executed and delivered by Seller, assuming due authorization, execution and delivery by each other party thereto, such Ancillary Document will constitute a legal and binding obligation of Seller enforceable against it in accordance with its terms, subject to the Enforceability Exception.]*

[2] Note: To discuss with Foley whether sovereign immunity should be included as an additional exception.

Lynne

Section 3.3

Consents and Approvals; No Violations

[Consents and Approvals; No Violations. Assuming the truth and accuracy of the reps and warranties of Purchaser set forth in Section 4.3[3]*, no filing with or notice to, and no consent or approval of, any Governmental Authority is required on the part of Seller for the execution, delivery and performance by Seller of this Agreement or any Ancillary Document to which Seller is a party or the consummation by Seller of the transactions contemplated hereby or thereby, except: (a) those as a result of any facts or circumstances relating to Purchaser or any of its Affiliates, (b) the authorizations or approvals listed on Section 3.3(a)*[4] *of the Seller Disclosure Letter, or (c) any permit, declaration, filing, authorization, registration, consent or approval, the failure to make or obtain would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect. Assuming compliance with the items described in clauses (a) and (b) of the preceding sentence, neither the execution, delivery or performance by Seller of this Agreement or any Ancillary Document to which Seller is a party, nor the consummation by Seller of the transactions contemplated hereby or thereby will (i) conflict with or result in any breach or violation of any provision of its Organizational Documents, (ii) result in a breach or violation of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to the creation of any Encumbrance, except for Permitted Encumbrances, on the Purchased Assets or any right of termination, amendment, cancellation or acceleration) under, any of the terms, conditions or provisions of any Contract or any Permit of the Business (other than Contracts or Permits that are Excluded Assets), or (iii) violate any Law applicable to the Business or the Purchased Assets, except, in the case of clauses (ii) or (iii), for breaches, violations, defaults, Encumbrances or rights of termination, amendment, cancellation or acceleration that would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect.*

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[3] Note: This reference is to the equivalent Purchaser representation and warranty.

[4] Note: To list the specific approvals required by the City Council, the Referendum Approval, CFIUS (if needed), FPSC (Electric) (if needed), FPSC (Water); FERC under Section 203 and 205 of the Federal Power Act, and the FCC for pre-approval of license transfers.

Ryan

Section 3.4

Financial Statements[; EMMA Documents]

*[Financial Statements**[; EMMA Documents**[5]**]**.*

(a) *Seller has made available to Purchaser copies of the audited financial statements consisting of the condensed statement of net position of the Business as at* ***[September 30, 2019]*** *and September 30, 2018 and the statements of revenues, expenses and changes in net position and statements of cash flows in each of the years ending* ***[September 30, 2019]*** *and September 30, 2018 (the "Audited Financial Statements").. The Audited Financial Statements (i) have been prepared in accordance with GAAP applied on a consistent basis throughout the periods covered thereby, except as may be indicated in the notes thereto, (ii) have been prepared in all material respects in accordance with the books and records of Seller, and (iii) fairly present, in all material respects, the financial condition of the Business as of the respective dates they were prepared and the results of the operations of the Business for the periods then ended.[6] The condensed statement of net position of the Business as of* ***[September 30, 2019]*** *is referred to herein as the "Balance Sheet" and the date thereof as the "Balance Sheet Date."*

(b) ***[Since the Look Back Date, Seller has filed with the MSRB all documents required to be filed by it under the applicable rules and regulations promulgated by the MSRB, except for filings the failure of which to make would not reasonably expected to have, individually or in the aggregate, a JEA Material Adverse Effect. All such documents complied, as of the date so filed (or if amended or superseded by a filing or amendment prior to the date of this Agreement, then as of the time of such filing or amendment), with all applicable requirements of the rules and regulations promulgated by the MSRB, except for failures to comply that would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect] [As of its filing date (or if amended or superseded by a filing or amendment prior to the date of this Agreement, then as of the time of such filing or amendment) each of the EMMA Documents did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.]]***

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[5] Note: The reps in subsection (b) will not be included in the initial auction draft, but may be requested by Bidders.

[6] Note: To the extent that the reps. will extend to any unaudited interim financial statements, appropriate carve-outs will be required for normal year-end adjustments and disclosures in the notes thereto.

Ryan

Section 3.5

Undisclosed Liabilities

[Undisclosed Liabilities. The Business does not have any material Liability of a type required to be reflected on a balance sheet prepared in accordance with GAAP of any nature relating to the Business at or as of the Closing Date, except for (a) Liabilities reflected or reserved against in the Audited Financial Statements or the notes thereto (b) Liabilities disclosed in filings publicly available on EMMA prior to the date of this Agreement, (c) Liabilities incurred in the ordinary course of business consistent with past practice since the Balance Sheet Date, (c) Liabilities required or contemplated to be incurred by this Agreement or the Ancillary Agreements or (d) Liabilities that are Excluded Liabilities or otherwise relate to Excluded Assets.[7]]

[7] Note: Auction draft to include an additional exception for any Liability "that has not had, and would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect."

Caren and Deryle

Section 3.6

Absence of Certain Changes or Events

[Absence of Certain Changes or Events. Except as contemplated by this Agreement, since the Balance Sheet Date through the date of this Agreement, (a) the Business has been conducted in all material respects in the ordinary course of business consistent with past practice, except for actions taken or not taken (i) that are necessary in order to consummate the transactions contemplated by this Agreement and the Ancillary Agreements, or (ii) with respect to any operational emergencies (including any restoration or other measures (including adjustments to rates) in response to any hurricane, tornado, ice storm, tsunami, flood, earthquake, or other natural disaster or weather-related event, circumstance, or development), equipment failures, outages, or threats to the health or safety of natural Persons, (b) Seller has not taken any action which, if taken after the execution and delivery of this Agreement, would have required the prior consent of Purchaser pursuant to Section 5.01(Conduct of Business Prior to Closing) and (c) there has not occurred any JEA Material Adverse Effect. ***[Purchaser acknowledges that there may be disruption to the operation of the Business as a result of the announcement by Seller of the ITN Process (and there may be further disruption to the Business as a result of the execution of this Agreement, including as a result of the identity of Purchaser, and the consummation of the transactions contemplated hereby), and Purchaser agrees that any such disruption does not and shall not constitute a breach of this Section 3.6.]***

Steve

Section 3.7

Title to and Sufficiency of Purchased Assets

[Title to and Sufficiency of Purchased Assets.

(a) Excluding the Real Property, Seller has good and valid title to, or a valid leasehold interest in, the Purchased Assets, except for the following (collectively referred to as "Permitted Encumbrances"):

(i) those items set forth in Section 3.7 of the Seller Disclosure Letter;

(ii) mechanics', carriers', workmen's, repairmen's or other like liens arising or incurred in the ordinary course of business or amounts that are not delinquent more than sixty (60) days, or the validity or amount of which are being contested in good faith by appropriate proceedings, or pledges, deposits or other liens securing the performance of bids, trade contracts, leases or statutory obligations;

(iii) all matters disclosed by the Title Commitments and any other easements, rights of way, servitudes, permits, licenses, covenants, restrictions, zoning ordinances and other similar Encumbrances affecting the Real Property;

(iv) other than with respect to Owned Real Property, liens arising under original purchase price conditional sales contracts and equipment leases with third parties entered into in the ordinary course of business;

(v) Encumbrances for Taxes or assessments that are not delinquent (or which may be paid without interest or penalties) or the validity or amount of which is being contested in good faith by appropriate proceedings;

(vi) Encumbrances created by ***[Utility Bonds]*** *that will be released prior to or at the Closing,*

(vii) Encumbrances that have been placed by any developer, landlord, or other third party on any Leased Real Property or Other Real Property Interest;

(viii) all matters that an accurate survey or physical inspection of the Real Property would disclose that individually or in the aggregate, do not prohibit or materially interfere with the current operation of the Real Property;

(ix) deed restrictions limiting the use of the Real Property to non-residential uses;

(x) all exceptions, restrictions, easements, imperfections of title, charges, rights-of-way and other Encumbrances that **[, to the knowledge of Seller,]** *do not materially interfere with the present use of the Purchased Assets in the Business, taken as a whole;*

(xi) any conveyance, transfer, or lease of any oil, gas, or mineral rights and profits, rights, and appurtenances relating thereto;

(xii) the covenants or restrictions set forth in this Agreement or the Ancillary Agreements;

(xiii) Encumbrances with respect to the Purchased Assets created by or resulting from the acts or omissions of Purchaser;

(xiv) in the case of any Leased Real Property, the terms and conditions of the applicable Lease; or

(xv) for any Real Property for which Purchaser has not obtained a Title Commitment, any Encumbrance affecting such Real Property provided that such Encumbrance does not, to the knowledge of Seller, interfere with the present use of the Purchased Assets in the Business, taken as a whole.

(b) The Purchased Assets and the rights granted to Purchaser under this Agreement, together with the Ancillary Agreements, include all of the assets, properties and rights owned, licensed or leased by Seller that are used in and necessary to conduct the Business as conducted at the Closing or as conducted by Seller as of the date of the Latest Balance Sheet. Notwithstanding anything herein to the contrary, nothing in this Section 3.7 shall be deemed to address any infringement, misappropriation or violation of any Intellectual Property of any Person (it being acknowledged by the Parties that Section 3.20 constitutes the sole representations and warranties of Seller under this Agreement with respect to any Intellectual Property matters).]

John

Section 3.8

Material Contracts

[JEA Material Contracts.

(a) *Section 3.8(a)* *of the Seller Disclosure Letter sets forth, as of the date of this Agreement, a list of each of the following contracts and agreements to which Seller is a party (such contracts and agreements, the "JEA Material Contracts"):*[8]

(i) each material Contract, ordinance, or other grant of any municipal, town or county franchise to the Business (the "Franchises");

(ii) all Contracts that individually involve expenditures by the Business in excess of ***$[5,000,000]***[9] *in the twelve (12) months preceding the date of this Agreement and that in each case have a remaining term following the Closing of longer than one year, to the extent that any obligations under such Contracts will remain unsatisfied as of the Closing;*

(iii) all Contracts that individually involve the receipt of payments by the Business in excess of ***$[5,000,000]*** *in the 12 months preceding the date of this Agreement and that in each case have a remaining term following the Closing of longer than one year, to the extent that any obligations under such Contracts will remain unsatisfied as of the Closing;*

(iv) all Contracts for, or relating to, Indebtedness of the Business in excess of ***$[5,000,000]****;*

(v) all Contracts that obligate Seller to dispose of or acquire (or grant to any Person any right or option to acquire) any Purchased Assets for consideration in each case in excess of ***$[5,000,000]****, other than in the ordinary course of the Business;*

(vi) all Contracts containing covenants applicable to Seller (a) prohibiting Seller from competing in any line of business or with any Person or in any geographic area or (b) requiring Seller to use any supplier or third party for all or substantially all of any of its material requirements;

(vii) all partnership, joint venture and similar Contracts providing for the formation, creation, operation, management or control of any partnership or joint venture with a third party in which Seller owns a voting or economic interest;

(viii) any contract with any officer, employee or independent contractor providing for annual compensation in excess of ***$[250,000]****,*[10] *including contracts with respect to employment, secondment, cost-sharing, severance, separation, change in control or retention;*

(ix) any collective bargaining agreement or other contract with any labor union; and

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[8] Note to JEA: To discuss anything else that should be included in this list that should be considered material to the Business.

[9] Note: Dollar threshold to be confirmed (which should be set at a level that identifies an appropriately limited set of contracts that are truly important to the ongoing financial condition of the business, and which is not so low as to create an undue scheduling burden on JEA).

[10] Note to JEA: Please confirm whether this is an appropriate threshold (or if it should be lower)?

(x) *any Contract pursuant to which Seller has (x) continuing indemnification obligations or (y) any "earn-out" or similar contingent payment obligations, in the case of each of clauses (x) and (y), that would reasonably be expected to result in payments in excess of* ***$[5,000,000]***.

(b) *Except as would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect, (i) each JEA Material Contract is a legal, valid and binding obligation of Seller and, to the knowledge of Seller, each counterparty, and is in full force and effect, subject to the Enforceability Exceptions, and (ii) neither Seller nor, to the knowledge of Seller, any other party thereto, is in breach of, or in default under, any such JEA Material Contract. As of the date of this Agreement, to the knowledge of Seller, Seller has not received written notice of any actual or alleged breach of, or default under, or of any termination or non-renewal of, any Material Contract, except in each case as would not have a JEA Material Adverse Effect.* ***[True and complete copies of each JEA Material Contract set forth in <u>Section 3.8(a)</u> of the Seller Disclosure Letter (including all amendments and supplements thereto) as in effect as of the date of this Agreement have been made available to Purchaser.]***

<u>Note</u>: For purposes of the disclosure exercise for this <u>Section 3.8</u>, please interpret "JEA Material Adverse Effect" to mean any claim, dispute or other demand or action brought by or against JEA (whether or not formal proceedings have been commenced) involving an anticipated amount in dispute (or if determined adversely to JEA, would reasonably be expected to result in a liability) of more than ***$[5,000,000]***. *"JEA Material Adverse Effect" will be a much higher threshold under the initial auction draft of the Acquisition Agreement.*

Lynne

Section 3.9

Legal Proceedings

Note: For purposes of the disclosure exercise for this Section 3.9, please interpret "JEA Material Adverse Effect" to mean any claim, dispute or other demand or action brought by or against JEA (whether or not formal proceedings have been commenced) involving an anticipated amount in dispute (or if determined adversely to JEA, would reasonably be expected to result in a liability) of more than $[5,000,000]. "JEA Material Adverse Effect" will be a much higher threshold under the initial auction draft of the Acquisition Agreement

*[Legal Proceedings. There are no **[and have not been in the past 3 years any]**[11] Actions existing, pending or, to the knowledge of Seller, threatened in writing against Seller relating to the Business or the Purchased Assets, and there are no Orders outstanding against Seller relating to the Business or the Purchased Assets, in each case, that would reasonably be expected to have a JEA Material Adverse Effect or would reasonably be expected to result in the issuance of an Order restraining, enjoining or otherwise prohibiting or materially delaying the transactions contemplated by this Agreement.]*

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[11] Note: Bracketed language has been included for disclosure purposes, but it will not be included in the initial draft of the Acquisition Agreement.

Paul

Section 3.10

Compliance with Law; Orders

*__Note__: For purposes of the disclosure exercise for this Section 3.10, please interpret "JEA Material Adverse Effect" to mean any claim, dispute or other demand or action brought by or against JEA (whether or not formal proceedings have been commenced) involving an anticipated amount in dispute (or if determined adversely to JEA, would reasonably be expected to result in a liability) of more than **$[5,000,000]**. "JEA Material Adverse Effect" will be a much higher threshold under the initial auction draft of the Acquisition Agreement*

*[Compliance with Law; Orders. Seller holds all material permits, licenses, approvals, registrations, franchises, certificates, clearances, variances, exemptions and other authorizations of all Governmental Authorities necessary for the lawful operation of the Business as presently conducted, or is authorized to conduct the Business under permits held by other Persons as described in Section 3.10 of the Seller Disclosure Schedule (all such material permits, licenses, etc., collectively, "Permits"). [**As of the date hereof, to the knowledge of Seller, no event has occurred since the Look Back Date or is continuing that, with or without notice or lapse of time or both, would, to the Company's knowledge, reasonably be expected to result in the revocation, suspension, lapse or limitation of any Permit.**]. The Business is**[, and at all times since the Look Back Date, has been,]**[12] in compliance with all Laws, Orders and Permits applicable to the Business and the Purchased Assets, except for violations which would not, individually or in the aggregate, reasonably be expected to have a JEA Material Adverse Effect.]*

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[12] Note: Bracketed language has been included for disclosure purposes, but it will not be included in the initial draft of the Acquisition Agreement.

Steve

Section 3.11

Real Property

[Real Property.

(a) ***[Section 3.11(a) of the Seller Disclosure Letter sets forth, as of the date of this Agreement, a list of all Owned Real Property and Leased Real Property.]***[13] *Except as would not reasonably be expected, individually or in the aggregate, to have a JEA Material Adverse Effect, based exclusively on the Title Commitments, to the knowledge of Seller, Seller has on the date of this Agreement (and at the Closing will have) good fee simple title to the Owned Real Property and valid leasehold interests in the Leased Real Property, free and clear of all Encumbrances except for Permitted Encumbrances and the Encumbrances listed on* *Section 3.11(b)* *of the Seller Disclosure Letter.*

(b) Seller has not leased or otherwise granted to any Person any material right to use or occupy the Owned Real Property (or any portion thereof)[14] ***[other than in the ordinary course of business or that does not materially interfere with the present use of the Owned Real Property, taken as a whole]****. Seller has not subleased, assigned or otherwise granted to any Person any material right to use or occupy the Leased Real Property (or any portion thereof) or the Other Real Property Interests (or any portion thereof)* ***[other than in the ordinary course of business or that does not materially interfere with the present use of the Owned Real Property, taken as a whole].***

(c) To the knowledge of Seller, each Lease and each of the Other Real Property Interests are valid, binding, enforceable, and in full force and effect (subject to the Enforceability Exception) ***[except as would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect]****, subject in each case to Permitted Encumbrances. To the knowledge of Seller, Seller is not (1) in breach or default under any Lease or any agreement evidencing or granting the Other Real Property Interests, and (2) no event has occurred or circumstances exist which, with the delivery of notice, passage of time or both, would constitute such a breach or default, in each case, that would reasonably be expected to have a JEA Material Adverse Effect.*

(d) To the knowledge of Seller, Seller has not received any written notice of (i) material violations of building codes or zoning ordinances or other governmental or regulatory Laws affecting the Real Property, (ii) existing pending or threatened condemnation proceedings affecting the Real Property, or (iii) existing, pending or threatened zoning, building code or other moratorium proceedings or similar matters which would in each reasonably be expected to materially and adversely impair the use of the Real Property as currently used.]

Note: For purposes of the disclosure exercise for this Section 3.11, please interpret "JEA Material Adverse Effect" to mean any claim, dispute or other demand or action brought by or against JEA (whether or not formal proceedings have been commenced) involving an anticipated amount in dispute (or if determined adversely to JEA, would reasonably be expected to result in a liability) of more than ***$[5,000,000]****. "JEA Material Adverse Effect" will be a much higher threshold under the initial auction draft of the Acquisition Agreement*

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[13] Note to JEA: Is disclosing all of the Owned Real Property and Leased Real Property feasible?

[14] Note: To list St. Johns/ Nassau Counties purchase and ROFR rights in Section 3.11(b) of this schedule.

Section 3.12

Employee Benefits

Jon

[Employee Benefit Plans.[15]

(a) *Section 3.12(a) of the Seller Disclosure Letter sets forth a list of each (i) material employee benefit plan (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), (ii) governmental plan (as defined in Section 3(32) of ERISA) and (iii) other plan, contract, agreement, arrangement or policy providing for (A) compensation, severance benefits, bonuses, profit-sharing or other forms of incentive compensation, (B) vacation, holiday, sickness or other time-off, (C) health, medical, dental, disability, life, accidental death and dismemberment, employee assistance, educational assistance, relocation or fringe benefits or perquisites, including post-employment benefits, and (D) deferred compensation, defined benefit or defined contribution, retirement or pension benefits, in each case, pursuant to which Seller currently has any obligation with respect to any current or former Service Provider (collectively, the "Employee Benefit Plans").* ***[Seller has made available to Purchaser a true and complete copy of each Employee Benefit Plan and all material amendments thereto.]***

✓

(b) *To the knowledge of Seller: (i) each Employee Benefit Plan has been maintained in all material respects in accordance with its terms and the requirements of applicable Law, (ii) the Business has performed all material obligations required to be performed by it under any Employee Benefit Plan and is not in any material respect in default under or in violation of any Employee Benefit Plan, (iii) no material Action (other than claims for benefits in the ordinary course) is pending or threatened in writing with respect to any Employee Benefit Plan by any current Service Provider, (iv) no events have occurred with respect to any Employee Benefit Plan that could result in the assessment of any excise tax against the Business and (v)* ***[no Employee Benefit Plan is subject to ERISA].***[16]

✓

(c) *No Employee Benefit Plan provides any post-retirement medical, dental or life insurance benefits to any current or former Service Provider (other than coverage mandated by applicable Law).*

X

(d) *Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby (either alone or together with any other event) will entitle any member of the executive management team of the Business listed on Section 3.14(d) of the Seller Disclosure Letter to any material payment or benefit or accelerate the time of payment or vesting of any material compensation or benefits, in either case under any Employee Benefit Plan.*

(e) *The representations and warranties contained in this Section 3.12 are the sole and exclusive representations and warranties of Seller with respect to the Employee Benefit Plans.]*

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[15] Note: Subject to review by Foley.

[16] Note to JEA: Please confirm whether ERISA applies to any benefit plans, policies or arrangements.

Jon

Section 3.13

Labor and Employee Matters

[Labor and Employee Matters

(a) Except as set forth in Section 3.13[17] *of the Seller Disclosure Letter, current employees of the Business are not subject to any other labor or collective bargaining Contracts with respect to the Business, and to the knowledge of Seller, as of the date of this Agreement, there are no* ***[and have not been for the past 3 years any]*** *organizing activities or collective bargaining arrangements that could affect the Business pending or under discussion with any labor organization.* ✓

(b) To the knowledge of Seller, the Business is, ***[and at all times since the Look Back Date, except as otherwise disclosed in Section 3.13 of the Seller Disclosure Letter, has been,]***[18] *in compliance with all applicable Laws regarding employment, discrimination, and harassment in employment, except as would not have or reasonably be expected to have a JEA Material Adverse Effect, and, to the knowledge of Seller, have not during the last twelve (12) months engaged in any unfair labor practice.* ✓

(c) The representations and warranties contained in this Section 3.13 and Section 3.8(a) (Material Contracts) are the sole and exclusive representations and warranties of Seller with respect to labor and employee matters.]

Pending Council approval 11/26

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[17] Note: List to include: (i) Northeast Florida Public Employees' Local 630 Laborers' International Union of North America, AFL-CIO; (ii) JEA Supervisors Association; (iii) International Brotherhood of Electrical Workers Local # 2358; (iv) The American Federation of State, County and Municipal Employees, Council 79, AFL-CIO (AFSCME) Local 429; and (v) Professional Employees Association.

[18] Note: Bracketed language has been included for disclosure purposes, but it will not be included in the initial draft of the Acquisition Agreement.

Ryan

<u>Section 3.14</u>

<u>Taxes</u>

[<u>Taxes</u>. All material Tax Returns required to have been filed with respect to the Business or the Purchased Assets have been timely filed (taking into account any extension of time to file granted or obtained), and such Tax Returns have been duly and accurately prepared in all material respects. All Taxes shown to be payable on such Tax Returns have been paid and all other material Taxes required to be paid with respect to the Business or the Purchased Assets have been timely paid, in each case, except for Taxes being contested in good faith by appropriate proceedings. No deficiency for any material amount of Tax has been asserted or assessed by a Governmental Authority in writing with respect to the Business or the Purchased Assets that has not been satisfied by payment, settled, or withdrawn. There are no Tax liens on the Business or the Purchased Assets, other than Permitted Encumbrances. This <u>Section 3.14</u> contains the sole and exclusive representations and warranties of Seller with respect to Taxes.]

Paul

Section 3.15

Environmental Matters

[Environmental Matters. Except for such matters that would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect:

(a) To the knowledge of Seller, all Environmental Permits that are necessary for the operation of the Business as it is currently being operated have been obtained or timely applied for and are in full force and effect, and the Business is in compliance with the requirements of all applicable Environmental Laws.

(b) Except for matters that have been fully resolved or are set forth on Section 3.15(b) of the Seller Disclosure Letter, to the knowledge of Seller, the Business is not, nor since the Look Back Date has been subject to any consent decree, agreement, or Order with any Governmental Authority arising under Environmental Laws, nor has Seller received, with respect to the Business or the Purchased Assets, any written notice or report regarding any actual or alleged violation of Environmental Laws, or any liabilities or potential liabilities, including any investigatory, remedial, or corrective obligations, arising under Environmental Laws.

(c) Except as set forth on Section 3.15(c) of the Seller Disclosure Letter, to the knowledge of Seller, there is and has been no Release from, in, on, or beneath any of the Real Property (except as permitted pursuant to Environmental Laws or Environmental Permits) that would reasonably be expected to form the basis for any Environmental Claims against Seller with respect to the Business or the Purchased Assets.

(d) Except as set forth on Section 3.15(d) of the Seller Disclosure Letter, to the knowledge of Seller, there are no Environmental Claims existing, pending or threatened in writing against Seller with respect to the Business or the Purchased Assets.

(e) To the knowledge of Seller, Seller has made available to Purchaser copies of all Phase I and Phase II environmental assessments prepared since the Look Back Date that are in its possession that describe environmental matters that would reasonably be expected to be material to the Business or the Purchased Assets.

This Section 3.15 contains the sole and exclusive representations and warranties of Seller with respect to environmental matters.]

Ted

Section 3.16

Regulatory Compliance

[Regulatory Compliance. The Business is subject to regulation by ***[(i) the Federal Energy Regulatory Commission ("FERC") as a "transmitting utility" under the Federal Power Act, and (ii) by the North American Electric Reliability Corporation ("NERC"), as a "user, owner and operator of the bulk-power system" under Section 215 of the Federal Power Act].*** *Since the Look Back Date, the Business has filed with* ***[FERC and NERC]*** *all documents required to be filed by it under applicable Laws, except for filings the failure of which to make would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect. All such documents complied, as of the date so filed, with all applicable requirements of the applicable statute and rules and regulations thereunder, except for any failures to comply that would not reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect. The Business holds all franchises granted by municipalities and other Governmental Authorities for the placement of utility facilities in or along public rights of way that are required to conduct the Business. The Business is not party to any ongoing enforcement actions by* ***[FERC or NERC]****, except for such regulatory proceedings and enforcement actions that have not had and would not have, individually or in the aggregate, a JEA Material Adverse Effect.* ***[As of the date hereof, the Business is not subject to regulation as a public utility or public service company (or similar designation) by any state in the United States or in any foreign country.]]***[19]

[19] Note: We would not propose to include this Section 3.16 in the initial auction draft, however, Bidders may propose a similar representation and warranty in their mark-ups.

Ryan

Section 3.17

Insurance

[Insurance. Except as would not reasonably be likely, individually or in the aggregate, to have a JEA Material Adverse Effect, (a) the Business and the Purchased Assets are insured with reputable insurers, or are self-insured by Seller, against such risks and in such amounts as Seller reasonably has determined to be prudent and consistent with industry practice, (b) each such policy is in full force and effect, and (c) to the knowledge of Seller, no written notice of cancellation, termination or nonrenewal (other than written notices of non-renewals received in the ordinary course of business) has been received by Seller with respect to any such insurance policy.]

Shawn

Section 3.18

Information Security

[Information Security. Seller has taken commercially reasonable steps to protect the material information technology systems currently used in the Business (the "IT Systems"). The Business has in place commercially reasonable disaster recovery plans, procedures and facilities for the IT Systems and has taken commercially reasonable steps to safeguard the security of the IT Systems. To the knowledge of Seller, there have been no unauthorized intrusions or breaches of the security of the IT Systems since the Look Back Date that had, or would reasonably be expected to have, individually or in the aggregate, a JEA Material Adverse Effect. This Section 3.18 contains the sole and exclusive representations and warranties of Seller with respect to information security matters.]

Lynne

Section 3.19

Intellectual Property

[Intellectual Property. Section 3.19 of the Seller Disclosure Letter sets forth, as of the date of this Agreement, a list of patents, patent applications, trademark registrations and applications, copyright registrations and applications, and domain names owned by Seller and used in the Business, and agreements pursuant to which Seller licenses material Intellectual Property Rights, but excluding material agreements pursuant to which Seller licenses commercially-available off-the-shelf products (collectively, "IP Rights"). To the knowledge of Seller, the IP Rights are owned free and clear of all Encumbrances other than Permitted Encumbrances. As of the date of this Agreement, there is not pending, or to the knowledge of Seller, threatened in writing against the Business any claim by any third party alleging that the use or exploitation by the Business of any IP Rights owned by the Business is infringing any Intellectual Property Rights of a third party in any material respect. To the knowledge of Seller, (a) the conduct of the Business as concurrently conducted does not infringe any Intellectual Property Rights of any third party, and (b) no third party is infringing any material IP Rights. This Section 3.19 and Section 3.8(a) (Material Contracts) contain the sole and exclusive representations and warranties of Seller with respect to intellectual property matters.]

Ted

Section 3.22

Certain Business Practices

[Certain Business Practices. To the knowledge of Seller, none of the officers, directors, or employees of the Business (a) has made or agreed to make any contribution, payment or gift (including a gift of entertainment) to, or accepted or received any contributions, payments or gifts (including gifts of entertainment) from, any government official, government employee, political party or agent of a political party or any candidate for any federal, state, local or foreign public office, where either the contribution, payment or gift or the purpose thereof was illegal under applicable Law, (b) has engaged in or otherwise participated in, assisted or facilitated any transaction that is prohibited under any applicable sanctions or related trade restrictions imposed by the United States Department of the Treasury's Office of Foreign Assets Control or any other agency of the United States Government or (c) has violated the United States Foreign Corrupt Practices Act of 1977, the United States Federal Procurement Integrity Act or any comparable applicable Law, including such applicable Laws dealing with bribery, corruption or improper or illegal payments, gifts or gratuities to any individual or government official, government employee, political party or agent of a political party or any candidate for any federal, state, local or foreign public officer, or money laundering.]

Ryan

Section 3.23

Brokers

[Brokers. Seller will be solely responsible for the fees and expenses of any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Seller prior to the Closing.]

ANNEX A

Defined Terms Used in the Representations and Warranties

- "Action" means any claim, action, cause of action, demand, directive, lawsuit, appeal, arbitration, notice of violation, proceeding, litigation, citation, summons, subpoena or investigation of any nature, civil, criminal, administrative, regulatory, or otherwise, whether at law or in equity, in each case, by or before a Governmental Authority.

- "Ancillary Documents" means [•], [•], [•] and the other agreements, instruments and documents required to be delivered at the Closing.

- "Balance Sheet Date" has the meaning set forth in Section 3.4(a).

- "Business" means the business of owning, operating and managing the electric utility system, the utility system for local district activities, and a combined water and sewer utility system in the Jacksonville Metropolitan Statistical Area (composed of Duval, Clay, Nassau, St. Johns and Baker Counties) and surrounding environs, as currently conducted by JEA. **[The "Business" does not include any rights or liabilities in connection with the Vogtle PPA].**

- "City Council Approval" means **[the requisite approval by the City of Jacksonville's council for the transactions contemplated by this Agreement.]**

- "City Referendum Approval" means **[the requisite vote from the City of Jacksonville for the referendum with respect to the transactions contemplated by this Agreement.]**

- "Closing" means the consummation of the transactions contemplated by this Agreement.

- "Contract" means with respect to Seller and the Business, all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures, and all other agreements, commitments, and legally binding arrangements, in each case in written form.

- "Electric Customer" means any electric service customer of the Business prior to the Closing Date.

- "Electric Customer Service Assets" means the customer service facilities, equipment, and other tangible property and assets used in or for the Business or located on the Real Property, including the facilities, equipment and other tangible property and assets that connect the Distribution Assets to each individual Electric Customer's Delivery Point, Electric Customer/premise/account data, historical consumption information, meters, remote metering equipment, and equipment needed to access the meters.

- "Delivery Point" means the point on the Electric Customer's premises where Seller's wires connect to Electric Customer's electric meter.

- "Distribution Assets" means the electric distribution facilities, equipment, and other tangible property and assets used in or for the Business, including the facilities, equipment, and other tangible property and assets that connect the Transmission Assets to the Electric Customer Service Assets, distribution substation equipment, feeder circuits and associated hardware (including switches and switch gear, regulators, capacitor banks, reclosers, and protective equipment), primary circuits, transformers, secondaries, and services, and associated physical assets (including poles, conductors, cables, insulators, metering, and outdoor lights).

- "District System Assets" means the chilled water plants, including chillers and cooling towers, distribution piping, and equipment, as more fully described on Exhibit [•] hereto.

- "Electric System Assets" means collectively, the Generation Assets, Transmission Assets and Distribution Assets.

- "EMMA" means the Electronic Municipal Market Access system and the EMMA Continuing Disclosure Service of the Municipal Securities Rulemaking Board (the "MSRB").

- "EMMA Documents" means all documents filed by Seller in connection with the Business and publicly available on EMMA from and after the Look Back Date.

- "Employee Benefit Plans" has the meaning set forth in Section 3.12(a).

- "Encumbrances" means any mortgage, pledge, security interest, encumbrance, lien or charge. For the avoidance of doubt, the term "Encumbrance" shall not be deemed to include any license of Intellectual Property Rights.

- "Enforceability Exception" has the meaning set forth in Section 3.2.

- "Environmental Claims" means any written Action, Order, lien, fine, penalty, or, as to each, any settlement or judgment arising therefrom, by or from any Person alleging actual or potential liability of any kind or nature (including liability, responsibility, or Losses for the costs of enforcement proceedings, investigations, cleanup, corrective action, governmental response, removal, or remediation, natural resources damages, property damages, personal injuries, medical monitoring, penalties, contribution, indemnification and injunctive relief) arising under any Environmental Law, including those arising out of, based on, or resulting from: (a) the presence or Release of, or exposure to, any Hazardous Materials; or (b) any actual or alleged non-compliance with any Environmental Law or term or condition of any environmental Permit.

- "Environmental Laws" means any applicable Law, and any applicable Order or binding agreement with any Governmental Authority: (a) relating to pollution (or the cleanup thereof) or the protection of natural resources, endangered or threatened species, human health or safety in relation to exposures to Hazardous Materials in the environment, or the environment (including ambient air, soil, surface water or groundwater, or subsurface strata); or (b) concerning the presence of, exposure to, or the management, manufacture, use, containment, storage, recycling, reclamation, reuse, treatment, generation, discharge, transportation, processing, production, disposal or remediation of any Hazardous Materials. The term "Environmental Law" includes, where applicable, the following (including their implementing regulations and any state analogs and any applicable and binding remediation or other standard established by any Governmental Authority pursuant to the same): CERCLA; the Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act of 1976, as amended by the Hazardous and Solid Waste Amendments of 1984, 42 U.S.C. §§ 6901 et seq.; the Federal Water Pollution Control Act of 1972, as amended by the Clean Water Act of 1977, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act of 1976, as amended, 15 U.S.C. §§ 2601 et seq.; the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §§ 11001 et seq.; the Clean Air Act of 1966, as amended by the Clean Air Act Amendments of 1990, 42 U.S.C. §§ 7401 et seq.; and Chapters 373, 376, and 403, Florida Statutes and regulations promulgated thereunder in Titles 40 and 62, Florida Administrative Code.

- "Environmental Permits" means any material Permit obtained or required to be obtained pursuant to Environmental Law.

- "ERISA" has the meaning set forth in Section 3.12(a).

- "Excluded Assets" has the meaning set forth in Section [•].

- "Excluded Liabilities" has the meaning set forth in Section [•].

- "GAAP" means United States generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and as in effect from time to time.

- "Generation Assets" means the generating plants and related facilities as more fully described on Exhibit [•] hereto.

- "Governmental Authority" means any federal, state or local, domestic or foreign governmental or regulatory authority, agency, commission, body, arbitrator, court, regional reliability entity, or any other legislative, executive or judicial Governmental Authority.

- "Hazardous Materials" means: (a) any material, substance, chemical, waste, product, derivative, compound, mixture, solid, liquid, mineral, or gas, in each case, whether naturally occurring or manmade, that is hazardous, acutely hazardous, toxic, or words of similar import or regulatory effect under Environmental Laws; (b) any petroleum or petroleum-derived products, radon, radioactive materials or wastes, asbestos in any form or condition, lead or lead-containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls; and (c) any other material, substance, or waste that is regulated, or to which liability or standards of conduct may be imposed, under any Environmental Law.

- "Indebtedness" means, with respect to any Person, and without duplication, all Liabilities, including all obligations in respect of principal, penalties, fees, premiums and accrued interest, in (a) all obligations of such Person for (a) borrowed money (including amounts outstanding under overdraft facilities), (b) evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person evidenced by letters of credit or similar facilities to the extent drawn upon by the counterparty thereto, (d) capitalized lease obligations (determined in accordance with GAAP), **[(e) all "earn-out" obligations and other obligations for the deferred purchase price of assets, properties, goods or services (other than trade payables or accruals incurred in the ordinary course of business),]**[20] (f) in respect of letters of credit and bankers' acceptances solely to the extent drawn as of the relevant determination date, (g) for contractual obligations relating to interest rate protection, swap agreements and collar agreements, in each case, to the extent payable if such contractual obligation is terminated at the Closing, and (h) all guarantees or other assumptions of liability for any of the foregoing for any other Person.

- "Intellectual Property Rights" means (a) trade names, trademarks and service marks, domain names, trade dress and similar rights, and applications to register any of the foregoing; (b) patents and patent applications; (c) copyrights (whether registered or unregistered) and applications for registration; and (d) confidential and proprietary information, including trade secrets and know-how.

- "JEA Material Adverse Effect" means any event, circumstance, development, condition, occurrence, state of facts, change or effect that, individually or in the aggregate with any other event, circumstance, development, condition, occurrence, state of facts, change or effect, has or would reasonably be expected to have (i) a material adverse effect on the Business or Purchased Assets, taken as a whole, or (ii) a material adverse effect on the validity or enforceability of this Agreement or the ability of Seller

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[20] Note to JEA: Please confirm whether this subsection (e) is relevant to the Business.

to consummate the transactions contemplated by this Agreement, other than, in the case of clause (i), resulting from any one or more of the following: (1) the effect of any change in economic, political or regulatory conditions or any change in the United States or foreign economies or securities or financial markets in general; (2) the effect of any change that generally affects any industry in which the Business operates; (3) the effect of any change in the market price of commodities or changes in the electric generation, transaction or distribution industries, or the water, sewer, water treatment and water cooling industries; (4) the effect of any change arising in connection with natural disasters or acts of nature, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions existing or underway as of the date hereof; (5) the effect of any action taken by Purchaser or its Affiliates with respect to the transactions contemplated by this Agreement or with respect to the Business or Purchased Assets; (6) the effect of any changes, including changes of interpretation, in GAAP or applicable Law; (7) the failure of the Business to meet internal projections; (8) the effect of taking any action expressly required by this Agreement or with the prior written consent of Purchaser; or (9) any effect resulting from the public announcement of this Agreement, including by reason of the identity of Purchaser and including the impact of any of the foregoing on any relationships, contractual or otherwise, with customers, suppliers, distributors, collaboration partners, employees or regulators; *provided*, *however*, that any event, circumstance, development, condition, occurrence, state of facts, change or effect described in clauses (1), (2), (3), (4), and (6) of this definition shall be taken into account in determining whether a JEA Material Adverse Effect has occurred or would reasonably be expected to occur to the extent it has a disproportionate effect on the Business and Purchased Assets, taken as a whole, compared to other participants in the industry in which the Business operates.

- "Law" means any federal, state, local or foreign law, statute or ordinance, common law or any rule, regulation, legally binding standard, judgment, order, writ, injunction, decree, arbitration award, agency requirement or Permit of any Governmental Authority.

- "Leases" mean all leases, subleases, licenses, concessions and other agreements (whether written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which Seller holds any Leased Real Property.

- "Leased Real Property" means each parcel of real property leased by Seller and used in or necessary for the conduct of the Business as currently conducted (together with all rights, title and interest of Seller in and to leasehold improvements relating thereto (to the extent leased by Seller)**[, including security deposits, reserves or prepaid rents in connection therewith)]**.

- "Liabilities" means liabilities, obligations, or commitments of any nature whatsoever, asserted or unasserted, known or unknown, absolute or contingent, accrued or unaccrued, matured or unmatured, or otherwise.

- "Look Back Date" means **[June 30, 2016]**.[21]

- "Losses" means losses, damages, Liabilities, deficiencies, Actions, judgments, interest, awards, penalties, fines, costs or expenses of whatever kind, including reasonable attorneys' fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers. For all purposes in this Agreement the term "Losses" does not include any Non-reimbursable Damages.

- "Non-Reimbursable Damages" means consequential, special, indirect (including indirect damages in the nature of lost profits or business, diminution in value, and loss of use), speculative, exemplary, or

[21] Note: This date is used for disclosure purposes, but the initial auction draft will refer to June 30, 2017.

punitive damages for any reason with respect to any matter arising out of or relating to this Agreement, whether based on statute, contract, tort, or otherwise and whether or not arising from the other party's sole, joint, or concurrent negligence, strict liability or other fault.

- "Order" means any binding order, directive, writ, judgment, injunction, decree, stipulation, determination, or award entered by or with any Governmental Authority.

- "Organizational Documents" means (a) with respect to a corporation, the charter, articles or certificate of incorporation, as applicable, and bylaws thereof, (b) with respect to a limited liability company, the certificate of formation or organization, as applicable, and the operating or limited liability company agreement thereof, (c) with respect to a partnership, the certificate of formation and the partnership agreement and (d) with respect to any other Person, the organizational, constituent and/or governing documents and/or instruments of such Person.

- "Other Real Property Interests" means easements, licenses and other interests in real property other than the Owned Real Property and the Leased Real Property that are used in or necessary for the Business as currently conducted (together with all of Seller's equipment and fixtures situated thereon and all other rights and privileges appurtenant thereto).

- "Owned Real Property" means each parcel of real property owned by Seller and used in or necessary for the conduct of the Business as currently conducted (together with all buildings, fixtures, structures and improvements situated thereon and all easements, rights-of-way and other rights and privileges appurtenant thereto).

- "Permits" has the meaning set forth in Section 3.10.

- "Permitted Encumbrances" has the meaning set forth in Section 3.7.

- "Person" means an individual, corporation, partnership, joint venture, limited liability company, Governmental Authority, unincorporated organization, trust, association, or other entity.

- "Prudent Utility Practices" means any of the practices, methods and acts engaged in or accepted by a significant portion of the electrical utility industry in the United States at the time the decision was made or any of the practices, methods and acts that, in the exercise of reasonable judgment in light of the facts known or that should reasonably have been known at the time a decision is made, could have been expected to accomplish the desired result at the lowest reasonable cost consistent with applicable Law, regulation, permits, codes, standards, equipment manufacturer's recommendations, reliability, safety, environmental protection, economy, and expedition. Prudent Utility Practices is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts.

- "Purchased Assets" has the meaning set forth in Section [•].

- "Purchaser" has the meaning set forth in the Preamble.

- "Real Property" means collectively, the Owned Real Property, the Leased Real Property, and the Other Real Property Interests.

- "Release" means any actual **[or threatened]** release, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, abandonment, disposing or allowing to escape or migrate into or through the environment (including ambient air (indoor or outdoor), soil gas, surface water, groundwater, land surface, or subsurface strata or within any building, structure, facility, or fixture).

- "Seller" means JEA, a body politic and corporate statutorily created, and authorized to act, as an independent agency of the City of Jacksonville.

- "Service Provider" means any **[director,]** officer or employee of the Business.

- "Tangible Personal Property" means all buildings, furniture, fixtures, equipment, machinery, tools, vehicles, office equipment, supplies, computer hardware, telephones, and other tangible personal property.

- "Taxes" means all federal, state, local, foreign and other income, gross receipts, sales, use, production, ad valorem, transfer, documentary, franchise, registration, profits, license, lease, service, service use, withholding, payroll, employment, unemployment, estimated, excise, severance, environmental, stamp, occupation, premium, property (real or personal) (including payments in lieu of taxes), real property gains, windfall profits, customs, duties, or other taxes, fees, assessments, or charges in the nature of a Tax, together with any interest, additions, or penalties with respect thereto and any interest in respect of such additions or penalties.

- "Tax Returns" means any return, declaration, report, claim for refund, information return, or statement or other document relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

- "Transmission Assets" means the electric transmission Tangible Personal Property, and real property, used in or for the electric transmission Business or located on the Real Property, including the facilities, equipment, and other tangible property and assets that connect the Distribution Assets to transmission interconnection points (and other property and assets associated with or ancillary thereto), transformers, breakers, capacitor banks, switches, arresters, instrument transformers, substation structures, substations, buswork, substation battery and chargers, relay protection panels, relay communications/carriers, remote telemetry and control equipment, metering, fault recorders, sequence of even recorders, annunciators, relay vaults, substation fencing, transmission lines, conductors, transmission line structures and poles, and control buildings.

- "Water System Assets" means the water and wastewater Tangible Personal Property and real property used in or for the water and wastewater Business or located on the Real Property, including facilities, equipment and other tangible property and assets used for (a) the provision of potable water (including, water treatment plants, repump facilities, active water supply wells, water distribution mains and water storage capacity), (b) the collection and treatment of wastewater (including, wastewater treatment plants, pumping stations, low pressure sewer units, gravity sewers and force mains, and the biosolid processing facility), and (c) the treatment and distribution of reclaimed water (including, plants, pumps, and piping), and (d) such other tangible property and assets that connect the foregoing to the **[Water Customer Service Assets]**.

** ** **

- Good Morning Madam Chair ... Members of the Board.

- Over the last several months we have presented you with a total compensation program which initially defined base salary and a short-term incentives.

- These first few slides remind you that the core competency we're focusing on is "working together to elevate the entire team" – compensation is a key driver in this effort.

- Elevate the Entire Team [READ four bullets and bottom box].

- In January, you revised the Board Policy Manual to address the compensation program including a focus on long-term incentives.

- In June, you requested that we develop an LTI program, which is highlighted at the bottom of this slide, as the final component of a total compensation program.

- As we researched the feasibility of this it became apparent that there was no definitive answer in Florida law regarding LTI for government entities.

- Rather than become mired in discussions regarding whether ~~this~~ SOMETHING QUALIFIES is compensation or if it is subject to collective bargaining, we ~~designed~~ DEVELOPED a program that is designed as a simple employee benefit and not as compensation.

- It provides employees an opportunity to purchase performance units and participate in the future growth of JEA.

- Mr. Wannemacher will provide a more in-depth explanation of the program.

EXHIBIT P 12
PENGAD 800-631-6989
Kendrick 6/29/20

Kendrick, Jonathan A. - Interim VP & HR Officer

From:	Maillis, Patricia L. - Director, Employee Services
Sent:	Monday, April 29, 2019 12:29 PM
To:	Kendrick, Jonathan A. (Jon) - Interim VP & HR Officer
Subject:	FW: Updated Committee Meeting Materials
Attachments:	JEA Comp Committee_Draft_4.22.19 v2.pptx; Comp Committee 1.15.19 Presentation - Total Market Compensation Strategy.pdf
Importance:	High

Jon,

Back in January, Angie directed me to have Willis Towers Watson conduct a Compensation Study of: CEO Compensation; Total Compensation for all employees with a focus on base salary, total cash and total compensation. Additionally they were asked to provide guidance on the design of LTI plans and to make recommendation on the cost and the structure. I can fill you in on the history of work dating back to September 2018 and why we chose WTW.

To date, Aaron does not have a contract. He is seeking to implement / add an LTI plan to our compensation package. Because LTI is rarely found in the government sector, Angie and I sought a 3rd party counsel on this, WTW. Typically, Angie would have worked directly with the Compensation Committee Chair and led them through the study for the CEO Compensation and the resultant contract. In the past, WTW has been present at the Committee Meeting and led the discussion with the Committee and had meetings with the Chair prior to the actual meeting. The CEO was not typically in the discussions with the Chair. Last Comp Committee, Aaron indicated that we were going to do this study(see attached) ad that he would not finalize his compensation until the study was complete for the whole company.

Aaron (and Ryan W) received the attached last week. Angie and I reviewed this with WTW prior and made modifications/edits – so the next step would be for Aaron and WTW to have a call to discuss and make the final changes. Compensation Committee is scheduled for May 28 at 1:00.

I do not get the impression that he is happy with the product. Let's plan to talk about this so I can give you the history and put our heads together to make sure Aaron gets the product he is seeking.

Pat

From: Maillis, Patricia L. - Director, Employee Services
Sent: Monday, April 29, 2019 11:22 AM
To: Taylor, Brandi N. - Executive Assistant
Subject: FW: Updated Committee Meeting Materials

From: Maillis, Patricia L. - Director, Employee Services
Sent: Thursday, April 25, 2019 10:24 AM
To: Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>
Subject: RE: Updated Committee Meeting Materials

Here is the PPT version as well.

EXHIBIT 13
PENGAD 800-631-6989
Kendrick 6/29/20

From: Maillis, Patricia L. - Director, Employee Services
Sent: Thursday, April 25, 2019 8:51 AM
To: Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>
Subject: RE: Updated Committee Meeting Materials

Hi Aaron,

Heard you are traveling. Do you want me to convert the Adobe doc to a PowerPoint? I've also left a physical copy in your office.

Pat

From: Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>
Sent: Wednesday, April 24, 2019 6:25 PM
To: Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>
Cc: Wannemacher, Ryan F. - Chief Financial Officer <wannrf@jea.com>; Strackbine, Scott I. - Compensation Specialist <strasi@jea.com>; Dykes, Melissa H. - President/COO <dykemh@jea.com>
Subject: Re: Updated Committee Meeting Materials

Can you please get me the ppt? Thanks.

Aaron F. Zahn
JEA
Managing Director & Chief Executive Officer
Email: zahnaf@jea.com
Phone: (312) 286-1040

On Apr 24, 2019, at 8:33 AM, Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com> wrote:

> Aaron and Ryan,
>
> Attached is the draft Comp Committee presentation regarding the compensation study and recommendations from Willis Towers Watson. Once you have had an opportunity to review, we can schedule a brief conference call with WTW should there be any modifications needed and discuss Committee prep.
>
> Pat
>
> **From:** Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>
> **Sent:** Monday, April 22, 2019 4:58 PM
> **To:** Hiers, Angelia R. - VP & Chief Human Resources Officer <hierar@jea.com>; Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>; Strackbine, Scott I. - Compensation Specialist <strasi@jea.com>
> **Cc:** Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>; Hwang, Paul (Atlanta) <paul.hwang@willistowerswatson.com>; Meng, Patrick (Atlanta) <Patrick.Meng@willistowerswatson.com>
> **Subject:** Updated Committee Meeting Materials
>
> [External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Angie, Pat and Scott:

Attached is the updated committee meeting materials. We incorporated all of the edits we discussed on our last call. Please review and let us know if there are any additional changes.

Best regards,

David Wathen
Senior Director, Rewards

Willis Towers Watson
5 Concourse Parkway *(Please note new address and work phone number)*
Atlanta, GA 30328
Work: 678.684.0751
Cell: 404.285.9848
Email: david.wathen@willistowerswatson.com

MBT 9/19

ADP Notes – 9/24

- They must pay if just one EIN. Options:
  - Create a separate EIN for appointed
  - ADP is taxpayer for all by attaching a tax-filing engine to Oracle
- Timing
  - Ideally need at least 16 weeks
  - Concerned about the number of interfaces and our resources
  - Propose not a concurrent start but a phased approach
    - 1A – simple payroll input include manual entries for PTO, e tc
    - 1B – implement T&A system
    - 1C – Final deployments of interfaces
- ADP understands confidentiality need and they will need at least one person as a dedicated liaison
- We requested an on-site person – they don't normally provide that under 1000 ee's
- Where are deductions calculated? In benefits?
- Oracle – there are so many customizations required that we may not be able to follow their standard format. May have to start with something like excel to csv.
- Sending data bridge requirements to me.
- Pricing is for managed payroll and T&A system
  - $37-39 PEPM ($15,600 for 400 ee's). Tiered system – if we add more ee's PEPM goes down.
  - Implementation - $50-65K, does not include 3rd party, on-site, or fine tuning interfaces

• Cannot administer plan

Solution Architect

Payroll Notes – 9/25

- Impossible to implement fully in 12 weeks
- Not seamless
- Predict disaster when the numbers come back to Finance (project codes, taxes, etc)
- ADP does not make vendor payments (benefits) only pay ee's
- Still need to involve city for pension payments
- Consider training for ee's
- Paystub will still show something deducted for PUP's and those are open to sunshine
- Added demands on Payroll w/ 3rd party
- ADP should balance taxes at EOY but they normally charge ($50K)
- Vacations in December
- EOY normal stuff going on
- PUP information will get out anyway

PUPS Elections to Pillsbury – apptd
We handle CBA
Deferrals happen before 3/1

EXHIBIT 14
Kendrick 6/29/20
PENGAD 800-631-6989

Kendrick, Jonathan A. - VP & Chief Human Resources Officer

Melissa,

Attached is a draft of the business case for outsourcing payroll. I'm not sure if we have a more formal format for these, but I'll be happy to edit, add, delete, etc. I held off for a bit because Angie told me last week she did remember working on a business case several years ago and she was going to look for it on a jump drive. I've found nothing here and she let me know today that she couldn't locate it.

This could do with more financial analysis re potential savings, but I was loath to bring anyone else into it at this point.

Thanks.

Jon

EXHIBIT
PENGAD 800-631-6989
15 C
Kendrick 6/29/20

Payroll Project Talking Points

- Appreciate all the hard work you've put into this project.
- We have made progress and we've uncovered many issues and questions that deserve further research.
- We have had a tight timeline driven by tax considerations – January 1st – with a longer timeline for full implementation of time and attendance.
- NOT WIDELY KNOWN shared? We had built in a go/no-go point into the discussions for the week of Thanksgiving…
- Having gotten down the road a bit in this process, we've decided to step back and cancel the project for several reasons:
  - January 1st is necessary to have ADP begin MINIMAL operations but is very aggressive given the work that still needs to be done
  - Possible recapitalization and a new HCM/Payroll system might make this work irrelevant
  - Allowing appropriate time to perform discovery and address issues related to payroll data INTEGRITY, Oracle limitations and accounting issues
  - Ensuring we find the best solution
- We will still perform "due diligence" in addressing the issues based on what we've learned from ADP and will target January 1, 2021 as an implementation date — MARCH BOARD MTG & ~~BID~~
- PLUG INTO OUR FORMAT — Since we now have time, we might put this out for bid — 10 DAYS NOTICE → SL 5
- ~~Questions?~~ THAT'S UPDATE. I'LL CALL.

AGAIN → APPRECIATE

NOT WASTED – WE'VE LEARNED A LOT

EXHIBIT 16 C

PENGAD 800-631-6989

Kendrick 6/29/20

# of Employees Receiving Live Checks	1-4		Depending on Hire status and changes
Tax Filing	JEA		3 States FL, GA and PA
Tax Updates	Oracle		Quarterly and annual patches
Garnishments	Yes		CS-4, Spousal Support- 3 Education Loan -1
Pay Cards	No		
Financial System	Oracle 12.2		
Unemployment Management	JEA HR Benefits/COBRA		
Employment Verification	HRIS & PR in house		
401a/403b/457	COJ , Mass Mutual		COJ Pension DC & DB/MM 401a & 457
Stock Administration	No PUP		
Executive Deferred Compensation	Yes		
Benefits	N/A		
Benefit Broker			
Benefits Administration			
Employee Call Center for Benefits			
Dependent Audits (one time or ongoing)			
Leave Administration			
Total Compensation Statements			
Voluntary Benefits (Pet, Cancer Plan etc.)			
ACA Management Vendor			
Annual Benefits Spend			
Time and Labor			
Time Keeping System	Oracle 12.2		Online manual timesheet
Scheduling	N/A		Manual according to department
Absence Management/Leave Tracking	Oracle 12.2		PTO, Military, FMLA, WC etc.
Talent Management	N/A		
Performance Management			
Compensation Management			
Succession Planning			
Learning Management System			

EXHIBIT 17
PENGAD 800-631-6989
Kendrick 6/22/20

Pay Schedule

Processing Group	# of Employees	Pay Frequency	Pay Period End	Processing Day	Check Date
JEA	419	Biweekly	Sunday	Tuesday	Friday

Processing Volumes

Payment Distribution	
% employees on direct deposit	99.9
# of checked employees	1-4
# of pay card users	0
Year End Documents	
# of W2s produced in prior year	400+
# of W2Cs produced last year	0
# of 1099s produced last year	0
# of Canadian T4s	0
Garnishments	
# of active garnishments	8
# of interpretations, annually	0
# of garnishment payments, annually	104
Adjustments - Annually	
# of voids, reissues, stop payments	1
# of manual or off-cycle checks	1
Distribution Locations	
# of overnight deliveries	0

# of checks or vouchers sent via US mail	
Unemployment Comp Management	**N/A**
# of unemployment claims	
# of hearings, monthly	
# of contested hearings	
# of claims from layoffs	
Employment Verifications	
Send actual title to vendor?	N/A – Payroll provides income verification only
Who handles social services verifications	HRIS
Send nature of pay?	N/A
Leave Administration	**N/A**
# of regulated leave requests	
# of leave cases	
# of Employees, currently on leave	
# on leave with direct bill	
Benefit Statistics	**N/A**
# Benefit eligible employees	
# of unique eligibility groups	
# of open enrollment windows	

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Thursday, September 12, 2019 12:44 PM
To: 'Motsett, Brian (ES)'
Subject: RE: Next step(s)

Hi Brian,

Thanks for the quick follow-up. Unfortunately, neither time works for me, but that's not important. Wednesday morning is definitely out as all of our management team (300 folks) is meeting, but Thursday afternoon should work. I'll block the time and space.

I know our procurement folks have not reached out to Protiviti re payroll, so I'm guessing it might be someone interested in "recapitalizing" JEA who is doing some exploring and working with Protiviti to gather information – just a guess.

Thanks.

Jon

From: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Sent: Thursday, September 12, 2019 12:36 PM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Subject: RE: Next step(s)

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Hey John,

Moving quickly here as the next 2 weeks are crazy with travel. The 2 core folks whom would need to be there are available next week on Wednesday morning and Thursday 3:30pm or later. Would one of those times work for you and your team?

Also, is there any chance someone there is working with Protiviti? The reason I ask is we received a request for pricing earlier this week and the only details they could provide are eerily similar. Further, there is not another account we know of in the Jacksonville market with the makeup they provided us so I am wondering if your sourcing/procurement folks reached out to them?

From: Motsett, Brian (ES)
Sent: Thursday, September 12, 2019 10:57 AM
To: 'kendja@jea.com' <kendja@jea.com>
Subject: Next step(s)

Hey John,

PENGAD 800-631-6989
EXHIBIT C
18
Kendrick 6/29/20

Team is nearly assembled and I have our gov/ed specialist looking into contracts.

Proposed mutual next steps in order to fast track this:

- Pre-discovery Document - I will have this to you shortly. This will help us gather foundational data for volumes, integrations and the like
- Schedule 2 hour discovery meeting with you and your team. I am travelling all next week, but don't want to slow this down. As soon as I have the core team assigned I'll share some proposed times. In the meantime, do you have any days which are knockouts on your end?
- Following our discovery we should have an alignment meeting with you first to walk through high level details and then we can decide how you would like to proceed forward from there.

Thanks!

Brian
904-710-8488

From: Prater, Cecilia (ES) <Cecilia.Prater@adp.com>
Sent: Thursday, September 12, 2019 2:53 PM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer; Motsett, Brian (ES)
Subject: RE: JEA / ADP

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Hi Jon. I have confirmed we do have a way to "piggy-back" on a contract awarded through Omnia.

Cecilia Prater
Global Channel Manager – BPO, GES
C: 727-504-8343
Cecilia.Prater@adp.com

-----Original Message-----
From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Thursday, September 12, 2019 1:48 PM
To: Prater, Cecilia (ES) <Cecilia.Prater@adp.com>; Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Subject: RE: JEA / ADP

WARNING: Do not click links or open attachments unless you recognize the source of the email and know the contents are safe.

****
Thanks. Have you been able to confirm a government contract we can piggyback on?

-----Original Message-----
From: Prater, Cecilia (ES) <Cecilia.Prater@adp.com>
Sent: Thursday, September 12, 2019 1:40 PM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>; Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Subject: RE: JEA / ADP

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Jon,

Attached is the pre-analysis questionnaire Brian referenced earlier. Please complete to the best of your ability and return to us by end of day Tuesday, 9/17 so that we can make the most of our time on Thursday. Also, please provide a list of JEA attendees with roles and we will send out an agenda ahead of the meeting. Thank you!

Cecilia Prater
Global Channel Manager – BPO, GES
C: 727-504-8343
Cecilia.Prater@adp.com

EXHIBIT C
19
Kendrick 6/29/20
PENGAD 800-631-6989

-----Original Message-----
From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Thursday, September 12, 2019 1:01 PM
To: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Cc: Prater, Cecilia (ES) <Cecilia.Prater@adp.com>
Subject: RE: JEA / ADP

WARNING: Do not click links or open attachments unless you recognize the source of the email and know the contents are safe.

****
Pleasure to meet you electronically, Cecilia. I'll forward the invite on.

Thanks.

Jon Kendrick
Vice President & Chief Human Resources Officer
Direct: (904) 665-4747
Mobile: (904) 466-8517

-----Original Message-----
From: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Sent: Thursday, September 12, 2019 12:56 PM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Cc: Prater, Cecilia (ES) <Cecilia.Prater@adp.com>
Subject: JEA / ADP

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Hi Jon,

As previously mentioned I'm delighted to introduce you to Cecilia, who is on my team and will run point on our end. For what is worth, when I left ADP I recommended Cecilia to backfill me and she is a big reason I came back.

Cecilia will be sending an invite shortly. Would you prefer a o provide your teams email addresses or she send to you and you forward on?

Best,

Brian
904-710-8488

Sent from my iPhone - please excuse brevity, errors and omissions

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From:	Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Sent:	Friday, September 13, 2019 10:48 AM
To:	Mack, Robert E. - Dir Organizational Effectiveness & Payroll
Subject:	RE: Info needed

They are not yet asking for that detail but I will start gathering together different facts.

Thanks

Gwen Tarpley
Manager, Payroll Services
Direct: (904-665-8244)
Cell : (904-258-1988)

From: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Sent: Friday, September 13, 2019 10:40 AM
To: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Subject: RE: Info needed

Not yet, but would suggest holding it till the first meeting scheduled for next Thur with ADP. I have not looked at req list yet but would think we want to start pulling together all the Appt pay elements, allowances, leave elements, and other related options unique to this population.

Robb Mack
Director, Organizational Effectiveness and Payroll
JEA Human Resources
Direct: (904) 665-5778

From: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Sent: Friday, September 13, 2019 10:33 AM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Subject: FW: Info needed

I have some of the answers to the ADP Pre-Analysis Questionnaire. I can fill them in on the template. Some of the information is not in my wheel house. Do you know how Jon wants this organized?

Gwen Tarpley
Manager, Payroll Services
Direct: (904-665-8244)
Cell : (904-258-1988)

EXHIBIT
PENGAD 800-631-6989
20
Kendrick 6/29/20

From: Darr, Jason C. - HRIS Analyst <darrjc@jea.com>
Sent: Friday, September 13, 2019 9:44 AM
To: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Cc: HRIS Employee Records <hrisemprec@jea.com>
Subject: RE: Info needed

Hi Gwen, see below. I don't have the ability to answer #7.

Thanks,

Jason Darr

HRIS Analyst

Direct: (904) 665-6561

From: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Sent: Friday, September 13, 2019 8:37 AM
To: HRIS Employee Records <hrisemprec@jea.com>
Cc: Darr, Jason C. - HRIS Analyst <darrjc@jea.com>
Subject: Info needed

Good Morning,

I need a list of the following asap: (Information is needed for **Appointed Employees** only.)

1. Total number of appointed employees (please separate M&C count)
   413 Appointed 6 M&C

2. Number of unpaid appointed employees still tracked in Oracle
   All appointed persons have a salary greater than $0 and 0 appointed were unpaid (9/1/2019)

3. Do we have a count of salaried contract employees in the system?
   0 Appointed Contract Employees (9 AFSCME Temps and 1 JEA Contract)

4. Do you know if all of the appointed employees have Health and Welfare Benefits? (9/1/2019)
   Medical – 363
   Dental – 331
   Vision – 312

5. What is the average yearly income for all appointed employees?
   $109,865

6. Count of active garnishments. (9/1/2019)
   Child Support - 4
   Spousal Support – 3
   Educational Loan - 1

7. How many Appointed employees receive live checks?

8. Which states do the Appointed Employees Live In?
   Florida – 406
   Georgia – 6
   Pennsylvania – 1 (Mark Patterson)

9. Which states to the Appointed Employees work in?
   Florida - 413

   Thanks in advance.

Gwen Tarpley
Manager, Payroll Services
Direct: (904-665-8244)
Cell : (904-258-1988)

From: McCollum, Jenny G. - Dir Procurement Services <gleejs@jea.com>
Sent: Monday, October 7, 2019 6:03 PM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Subject: RE: ADP

Thanks, Jon.

I am going to have Heather and Elaine review these if that is ok. I will make sure they know this is confidential. Let me know if you have any issues with that. Heather will be looking at the terns and conditions of their submittal to make sure it doesn't conflict with ours.

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Monday, October 7, 2019 4:41 PM
To: McCollum, Jenny G. - Dir Procurement Services <gleejs@jea.com>
Subject: ADP

Jenny,

I know you're up to your eyeballs with the ITN, but I wanted to forward these doc's for you to review. Shawn and I just had a conversation with ADP and are weighing to possibility of moving forward with them, but wanted to know from you if there are any issues with these or any issues piggy-backing on to the existing government contract they have. Let me know if you want to chat.

Thanks.

Jon

From: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Sent: Wednesday, October 2, 2019 3:58 PM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Cc: Prater, Cecilia (ES) <Cecilia.Prater@adp.com>
Subject: Next step

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Hi Jon,

Cecilia is in a meeting so I wanted to get these in your hands. Can we connect tomorrow afternoon?

In the meantime - the JEA LOEv2 form is for the payroll outsourcing and the other form is for our basic tax filing services on the remaining population. Both documents signatures are due this week to attain the January 10th pay date as your first pay.

Thanks!

PENGAD 800-631-6989
EXHIBIT P
21
Kendrick 6/29/20

Brian
904-710-8488

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Thursday, October 10, 2019 1:45 PM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll
Subject: Re: ADP - Payroll Services

Sorry for the short answer before. I had to answer a call and hit send after one sentence.

I'll chat with you more about this tomorrow, but the contract is what it is now. If we don't feel comfortable after the analysis period (or ADP doesn't for that matter) we can call a halt to it. Come up to see me in the morning when it's convenient. I believe I have two 10-15 minute calls, one at 9 and one at 10.

Thanks!

From: Mack, Robert E. - Dir Organizational Effectiveness & Payroll
Sent: Thursday, October 10, 2019 12:17 PM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Subject: RE: ADP - Payroll Services

I understand, so is this contract only to pay for the analysis with the understanding another comprehensive engagement contract would follow?

Robb Mack
Director, Organizational Effectiveness and Payroll
JEA Human Resources
Direct: (904) 665-5778

JEA

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Thursday, October 10, 2019 12:16 PM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Subject: Re: ADP - Payroll Services

We will be conducting the analysis then make a go/no-go decision once that is complete.

Jon Kendrick

EXHIBIT
22
Kendrick 6/29/20
PENGAD 800-631-6989

On Thu, Oct 10, 2019 at 12:13 PM -0400, "Mack, Robert E. - Dir Organizational Effectiveness & Payroll" <MackRE@jea.com> wrote:

> Jon,
>
> It is very apparent to me we may be getting ahead of ourselves trying to forge a contract before we clearly understand what we're trying to buy.

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Thursday, October 10, 2019 1:45 PM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll
Subject: Re: ADP - Payroll Services

Sorry for the short answer before. I had to answer a call and hit send after one sentence.

I'll chat with you more about this tomorrow, but the contract is what it is now. If we don't feel comfortable after the analysis period (or ADP doesn't for that matter) we can call a halt to it. Come up to see me in the morning when it's convenient. I believe I have two 10-15 minute calls, one at 9 and one at 10.

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To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer
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Robb Mack
Director, Organizational Effectiveness and Payroll
JEA Human Resources
Direct: (904) 665-5778

JEA

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Sent: Thursday, October 10, 2019 12:16 PM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Subject: Re: ADP - Payroll Services

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Jon Kendrick

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EXHIBIT
22
Kendrick 6/29/20
PENGAD 800-631-6989

> Jon,
>
> It is very apparent to me we may be getting ahead of ourselves trying to forge a contract before we clearly understand what we're trying to buy.

In order for HR/TS/Finance to assess the contents & expectations of the contract, I believe we need additional scoping conversations with ADP to establish clear visibility as to who is going to be responsible for what and how the hand-offs will occur. I don't know how effective pricing from either side can be established without this. At first pass there are services listed in section 14 we would not expect to purchase (ex. Benefit Services 14.2, HCM Services 14.3, Onboarding Services 14.5, etc.) and then services we would expect that are not included (ex. time & attendance, vendor payments, tax payments & reporting, etc.).

At this point as each area is beginning to engage more resources, the questions are coming faster than we have answers or information to respond.

My suggestion is we immediately schedule another face to face with ADP and include the next level staff in the discussion to establish a high level scoping document before we finalize a contract. If you and Shawn are consumed with the ITN responsibilities, Sharon Joe O. and I can organize this if you would like.

Robb Mack
Director, Organizational Effectiveness and Payroll
JEA Human Resources
Direct: (904) 665-5778

JEA

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Wednesday, October 9, 2019 4:12 PM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Subject: Fw: ADP - Payroll Services

Robb,

I was about to reply to your earlier email when this popped up. Procurement is still working through things so please pitch in if you can help them speed it along.

Thanks.

Jon

From: Eads, Shawn W. - VP & Chief Information Officer
Sent: Wednesday, October 9, 2019 4:10 PM
To: Beard, Heather Burnett - Manager Procurement Contracts; Hill, Miriam R. (COJ OGC); Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Subject: RE: ADP - Payroll Services

I would suggest you reach out to Rob Mack and Sharon Van Den Heuvel for help with Section 14.

From: Beard, Heather Burnett - Manager Procurement Contracts <bearhb@jea.com>
Sent: Wednesday, October 9, 2019 3:17 PM
To: Hill, Miriam R. (COJ OGC) <hillmr@jea.com>; Eads, Shawn W. - VP & Chief Information Officer <eadssw@jea.com>; Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Subject: ADP - Payroll Services

Shawn & Jonathan,
Jenny asked me to take a first pass at ADP's master services agreement. I am going to need someone from the JEA business to review Section 14 of the attached agreement to verify the services are adequate and that JEA can comply with the requirements. Can you put me in touch with the right person to review this with? I know this is a sensitive issue so I wanted to get direction straight from you. In the meantime I am having ADP fill out JEA's cloud matrix form, and Elaine Selders is performing a price check to ensure JEA is receiving fair pricing.

Miriam,
Please review my edits and add anything additional you think I missed. Here is a link to the contract JEA is proposing to
https://www.omniapartners.com/publicsector/contracts/supplier-contracts/adp

Thanks,
Heather Beard, Esq.
Manager, Procurement Contract Administration
(904) 665-7606
Cell (904) 238-6066

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Sent: Friday, October 11, 2019 12:02 PM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll
Subject: RE: Quick question

That will probably be me.

From: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Sent: Friday, October 11, 2019 11:51 AM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>
Subject: Quick question

Hi Jon,

One question I forgot to ask; who internally can provide the business requirements to ADP regarding the new LTI/PUP's?

Thanks,

Robb Mack
Director, Organizational Effectiveness and Payroll
JEA Human Resources
Direct: (904) 665-5778

EXHIBIT C
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Kendrick 6/29/20

From: Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com>
Sent: Wednesday, October 23, 2019 1:21 PM
To: Eads, Shawn W. - VP & Chief Information Officer
Subject: RE: Payroll Services Kick Off Meeting

Thanks! Not sure if Sharon has spoken with you or if you've seen the recent emails.

Met with Robb / Gwen and Cecilia this morning. It was clear there was not alignment down from your and Jon's level on what ADP is providing. We all agreed to leveraging this time for that direction to be provided.

The "Kick-Off" meeting with all stakeholders – PR, Finance, & TS is being rescheduled. The 3:00 timeslot held is being repurposed as it is very apparent we need to have you & Jon level set with us and ADP on what ADP has been contracted to provide 01/01/20 and beyond.

Thanks!!

K. E. Owens
ERP Technology Program Manager
Direct: (904) 665-4215

From: Eads, Shawn W. - VP & Chief Information Officer
Sent: Wednesday, October 23, 2019 1:11 PM
To: Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com>
Subject: Re: Payroll Services Kick Off Meeting

I can. I will go with the flow.

Sent from my iPad

> On Oct 23, 2019, at 8:59 AM, Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com> wrote:
>
> GM Shawn,
>
> I know you're planning to join this afternoon's kick off. I've asked Jon if he would speak to the team assembled following the Safety briefing. Wanted to extend the same option to you. Please let me know if you'll also address the team.
>
> Thanks!!!
>
> **K. E. Owens**
> ERP Technology Program Manager
> Direct: (904) 665-4215

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Kendrick 6/29/20

<image001.jpg>

From: Damper, Kiyomi F. (Workspend) <dampkf@jea.com>
Sent: Monday, October 28, 2019 1:30 PM
To: Tarpley, Gwendolyn - Mgr Payroll Services
Cc: Mack, Robert E. - Dir Organizational Effectiveness & Payroll
Subject: RE: Needs for special project - Payroll Administrator

Thank you so much, confirmed.

Kind Regards,

Kiyomi Damper
Workspend
Ext# 5628

From: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Sent: Monday, October 28, 2019 1:06 PM
To: Damper, Kiyomi F. (Workspend) <dampkf@jea.com>
Cc: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Subject: RE: Needs for special project - Payroll Administrator

Hi Kiyomi,

All is well on my end. Hope you had an enjoyable weekend.

$30-$40 per hour..... we will let the experience dictate which end we pay.

Is this acceptable?

Gwen Tarpley
Manager, Payroll Services
Direct: (904-665-8244)
Cell : (904-258-1988)

From: Damper, Kiyomi F. (Workspend) <dampkf@jea.com>
Sent: Monday, October 28, 2019 12:42 PM
To: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Subject: RE: Needs for special project - Payroll Administrator

Hello Gwen,

I hope you had a great weekend. I am going to upload your Payroll Administrator role in Beeline.

Could you please give me a call when you have a chance to confirm a bill rate for this role?

Kind Regards,

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Kiyomi Damper
Workspend
Ext# 5628

From: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Sent: Tuesday, October 22, 2019 10:31 AM
To: Damper, Kiyomi F. (Workspend) <dampkf@jea.com>
Subject: FW: Needs for special project
Importance: High

Thanks so much !

Gwen Tarpley
Manager, Payroll Services
Direct: (904-665-8244)
Cell : (904-258-1988)

From: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Sent: Friday, October 11, 2019 1:32 PM
To: Lee, Sonja L. - Manager, Talent Acquisition Services <leesl@jea.com>
Cc: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Subject: FW: Needs for special project

Hi Sunny,

Below are the drafted work responsibilities for the new Payroll supplemental role I mentioned to you yesterday. Jon is good with us starting the find process as we will know no if this is going to happen for sure by the time we locate the right person. I would suggest this role might be titled Payroll Administrator. The only additional requirements I would add beyond what Gwen has included are:

- Start-up or conversion experience with ADP (Workforce Now cloud) preferred
- Experience serving as a system administrator working in and between the employer and ADP

Thanks,

Robb Mack
Director, Organizational Effectiveness and Payroll
JEA Human Resources
Direct: (904) 665-5778

From: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Sent: Friday, October 11, 2019 10:30 AM

To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Subject: Needs for special project

Sending this to you before I send it to Sonny.

Hi Sonny,

Here is a list of tasks or concepts the person needed for the special project should have:

- Experience with ADP's Workforce Now Platform
- Ability to manually calculate gross paychecks from gross to net
- Understanding of how to correctly enter date effective data into ADP
- Thorough understanding Report Writing
- Self-sufficient and analytical
- Understanding of federal and state wage laws
- Understanding deferred comp limits
- Understanding of what a taxable wage is and how to compute it.
- Understanding of garnishments and how to calculate disposable earnings
- Preferred knowledge of government sector payroll
- Knowledge of Cafeteria Plans and the effect on taxable wages
- Excellent verbal and written communication skills

Gwen Tarpley
Manager, Payroll Services
Direct: (904-665-8244)
Cell : (904-258-1988)
JEA

From:	Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com>
Sent:	Wednesday, November 20, 2019 9:30 AM
To:	Mack, Robert E. - Dir Organizational Effectiveness & Payroll
Subject:	RE: Validation table and tax id.xlsx Cost Numbers

Rob,

I think maybe another discussion with Russell might be warranted. I can put us together with Laura if you'd like but I really think there needs to some level setting. Maybe she needs to hear from Ryan the message Jon & Shawn gave to us.

Let me know how you'd like to proceed.

K. E. Owens
ERP Technology Program Manager
Direct: (904) 665-4215

From: Gutteridge Años, Laura A. - Mgr Financial Accounting & Reporting
Sent: Wednesday, November 20, 2019 9:10 AM
To: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Cc: Caffey, Russell J. (Robert Half) <caffrj@jea.com>; Johnson, Akiesha D. - Manager, Project Accounting <j ohna@jea.com>; Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com>; Van Den Heuvel, Sharon - Dir ERP Systems <VandS@jea.com>; Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Subject: RE: Validation table and tax id.xlsx Cost Numbers

Thanks Rob. I would like to understand why we are moving forward now that the PUP is being terminated. Can we have a meeting to discuss the business rationale behind this change?

Laura Gutteridge Años, CPA
Manager, Financial Accounting & Reporting
Direct: (904) 665-8295
Fax: (904) 665-8334

From: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>
Sent: Wednesday, November 20, 2019 7:40 AM
To: Gutteridge Años, Laura A. - Mgr Financial Accounting & Reporting <guttla@jea.com>
Cc: Caffey, Russell J. (Robert Half) <caffrj@jea.com>; Johnson, Akiesha D. - Manager, Project Accounting <johna@jea.com>; Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com>; Van Den Heuvel, Sharon - Dir ERP Systems <VandS@jea.com>; Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Subject: RE: Validation table and tax id.xlsx Cost Numbers

Morning Laura,

I can confirm for you that the instruction from my leadership is to continue the transition of Appointed payroll to ADP and it remains unchanged in light of recent events. We are discussing some potential adjustments to the project

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timelines and expectations, but the project is still targeting a phase one to begin payments to appointed employees and tax services for all employees beginning with the 1/10/20 pay cycle.

So as Gwen has requested, please provide the needed information as soon as you are able to help us continue to keep this effort on track.

Thanks for your support!

Robb Mack
Director, Organizational Effectiveness and Payroll
JEA Human Resources
Direct: (904) 665-5778

From: Gutteridge Años, Laura A. - Mgr Financial Accounting & Reporting <guttla@jea.com>
Sent: Tuesday, November 19, 2019 5:16 PM
To: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>; Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com>
Cc: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>; Caffey, Russell J. (Robert Half) <caffrj@jea.com>; Johnson, Akiesha D. - Manager, Project Accounting <johna@jea.com>
Subject: RE: Validation table and tax id.xlsx Cost Numbers

Hi Gwen!

Before we put the time into filling this out, we need SLT confirmation that the transition to ADP is moving forward in light of the confirmation by Sherry Hall to the media that was published this afternoon indicating that the PUP is not going to be implemented. It was my understanding the move to ADP was happening due to the PUP implementation, which was also the reason for the accelerated deadline. When I spoke to Akiesha this afternoon, she indicated Katura was going to obtain this confirmation. Katura, please advise.

Thanks!

Laura Gutteridge Años, CPA
Manager, Financial Accounting & Reporting
Direct: (904) 665-8295
Fax: (904) 665-8334

From: Tarpley, Gwendolyn - Mgr Payroll Services <tarpg@jea.com>
Sent: Tuesday, November 19, 2019 4:59 PM
To: Gutteridge Años, Laura A. - Mgr Financial Accounting & Reporting <guttla@jea.com>; Johnson, Akiesha D. - Manager, Project Accounting <johna@jea.com>
Cc: Mack, Robert E. - Dir Organizational Effectiveness & Payroll <MackRE@jea.com>; Owens, Katura E. - Mgr Technology Project Mgmt <owenke@jea.com>
Subject: Validation table and tax id.xlsx Cost Numbers
Importance: High

Hi Akiesha / Laura ,

We have been asked to enter data into the attached spreadsheet for ADP. Please notice the tab entitled "Cost Numbers". Would it be possible for you to fill in the data on this tab by Thursday?

Also, the second screen show below lists various items that are circled. Can you please provide an explanation of what the entries represent and where they come from.

Thanks in advance...... Gwen

Business Requirements - Cost Numbers

#REF!

1. How long is your Cost Number String? ADP can accommodate upto a 50 character string.
2. Is your cost number made up of separate components? If so, do you need a separator?

Company Name and/or Company Code	Cost Number Code	Cost Number Description
	Required	*Required*
ABC	*10000-xxx-001*	*Sample Cost Number Description*

◂ ▸ ... Workers Comp | Departments | Cost Numbers | Hours & Earnings Codes | Deductions | Sp

Ready

	H	I	J	K	L	M
1	Cost Allocation Segments	Credit Amount	Debit Amount	Accrual Type	Fund	Cost Center
2	021.00000.00000000.00.232030.0000.0000	71.35	0		21	
3	021.00000.00000000.00.241005.0000.0000	512.62	0		21	
4	021.00000.00000000.00.232089.0000.0000	0	512.62		21	
5	021.00000.00000000.00.241005.0000.0000	51.58	0		21	
6	021.00000.00000000.00.232089.0000.0000	0	51.58		21	
7	021.20414.00000000.00.500101.1110.0000	0	51.58		21	2041
8	021.00000.00000000.00.241005.0000.0000	51.58	0		21	
9	021.00000.00000000.00.232034.0000.0000	1.17	0		21	
10	021.00000.00000000.00.232089.0000.0000	0	1.17		21	
11	021.20414.00000000.00.500101.1104.SF20	0	550.78		21	2041
12	021.00000.00000000.00.232005.0000.SF20	550.78	0		21	
13	021.20414.00000000.00.500101.1111.0000	0	26.51		21	2041
[illegible]	[illegible]	[illegible]	[illegible]		[illegible]	

Gwen Tarpley
Manager, Payroll Services
Direct: (904-665-8244)
Cell : (904-258-1988)

From: Higley, Carol A. - Human Resources Business Partner <HiglCA@jea.com>
Sent: Monday, December 2, 2019 11:57 AM
To: Wannemacher, Ryan F. - Chief Financial Officer
Subject: Meeting with Laura Gutteridge Anos
Attachments: Meeting with Laura Gutteridge Anos.docx

Ryan,

Here you go.

Please let me know if I can share with Isabel for coaching purposes – and if I need to do any follow up with Russell.

Thanks,

Carol Higley
Human Resources Business Partner
Direct: (904) 665-6045
Mobile: (904) 613-9968

JEA

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Meeting with Laura Gutteridge Anos 11/26/19 1:30pm

We are here to discuss ADP and make sure we have addressed your concerns regarding Payroll migration.

Yes, process is now how I would expect, with due diligence, following a process.

I would also like to discuss your concerns and feedback/handling conflict. I am disappointed in how you raised your concerns, bringing everyone into it.

You mean including Akiesha and Alan on email?

It is appropriate to express your opinion and any concerns. I like and appreciate your opinion; always usually agree with you; it is the method that is concerning. I am on the floor virtually every day – pull me aside, call me, get on my calendar; but to blast email without going through those steps is a concern. If you have conversations with Russell and need to escalate that is fine but it needs to be done in a constructive manner. The email had some alarming language (bullied, things not done here correctly) and I would like you to raise your concerns with me in person. I take your opinion seriously, it is the manner in which it is handled that is the issue.

My language reflected how I was feeling I had serious concerns and shared my concerns but we were moving forward anyway. I was alarmed. Akiesha also sent an email with a long list of issues and no one responded. I thought if I got involved and on record that I was concerned too it would show all three of us were concerned. Other groups raised concerns too. Don't want to put any one in jeopardy but Payroll and Technology, basically everyone in the room had concerns and all that was said was this is an SLT initiative.

That is a cultural issue, people should be able to ask the SLT questions. Your email gave me no choice but to bring HR into this conversation and I would rather handle it in a more constructive way.

There have been times I have brought concerns to your attention with no response but then things are handled so I thought maybe I shouldn't go to you directly.

I may work through other people, just bandwidth, work load, so I call Russell to run with it. Even if I am delegating execution I am still addressing it. If you don't receive a response from Russell and need to escalate that's fine but I ask for your trust to not make a mountain out of a molehill, just pull me in. It is so important to communicate or things will get blown out of proportion. The mind is worse than the truth.

It may be a molehill now but it would have been a mountain had it not been stopped. Don't want to underestimate the impact, still dealing with EAM two years later. Also to not be given a business reason, makes me think things are not above board. Am I at that kind of company?

Whatever your question, can come to me directly. I will tell yes, no, I don't know or I can't tell you right now. You know I don't ever want to do anything that will jeopardize financial reporting. I am glad you raised concerns. As a manager I should be able to have frank conversations with you, maybe not about everything but at the management level we should communicate well, not have any gaps.

So your preference is that I communicate verbally?

By phone or set a meeting, it is difficult as the SLT gets hundreds of emails per day and it is difficult to response to all in emails.

I will press Russell more and if not satisfied I'll ask you directly.

He has only been here a little while and is still figuring it all out, there's a lot going on, we'll work through it. I think we got to the right place with the delay and now working on how we move forward. Sean, Jon and Melissa got together and I shared your concerns, asked if they heard other similar concerns and in 20 minutes we dealt with it constructively.

We need a strong working relationship and formally opening the lines of communication will benefit the whole team. You are a manager and set an example, people look to you to model appropriate constructive sharing of concerns. Thanks for all you do, the audit is going well. I value your opinion and perspective, we just need to work better together.

From: Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Sent: Friday, November 22, 2019 2:35 PM
To: 'Motsett, Brian (ES)'; Prater, Cecilia (ES)
Cc: Eads, Shawn W. - VP & Chief Information Officer; Van Den Heuvel, Sharon - Dir ERP Systems; Owens, Katura E. - Mgr Technology Project Mgmt; Mack, Robert E. - Dir Organizational Effectiveness & Payroll; Tarpley, Gwendolyn - Mgr Payroll Services; Beard, Heather Burnett - Manager Procurement Contracts; Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Subject: JEA - ADP Letter of Engagement

Brian,

As a follow up to our phone conversation earlier today, I'm informing you that JEA wishes to terminate the Letter of Engagement (LOE) we have with ADP. As noted in the LOE, this constitutes ten days written notice that we are terminating, with the terminationdate being December 2, 2019. During these ten days we would like to continue working with you to tie up loose ends and work on some of the issues we raise so our team has a better understanding of the process should we pursue outsourcing payroll in the future.

I appreciate all the work your team put into this project and it has definitely been a good learning experience for our team.

Please invoice us for all fees and expenses incurred through the date of termination.

Thank you.

Warm regards,

Jon

Jon Kendrick
Vice President & Chief Human Resources Officer
Direct: (904) 665-4747
Mobile: (904) 466-8517

JEA

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From:	Maillis, Patricia L. - Director, Employee Services
To:	Kendrick, Jonathan A. (Jon) - Interim VP & HR Officer
Subject:	FW: Updated Committee Meeting Materials
Date:	Monday, April 29, 2019 12:29:19 PM
Attachments:	JEA Comp Committee Draft 4.22.19 v2.pptx Comp Committee 1.15.19 Presentation - Total Market Compensation Strategy.pdf
Importance:	High

Jon,

Back in January, Angie directed me to have Willis Towers Watson conduct a Compensation Study of: CEO Compensation; Total Compensation for all employees with a focus on base salary, total cash and total compensation. Additionally they were asked to provide guidance on the design of LTI plans and to make recommendation on the cost and the structure. I can fill you in on the history of work dating back to September 2018 and why we chose WTW.

To date, Aaron does not have a contract. He is seeking to implement / add an LTI plan to our compensation package. Because LTI is rarely found in the government sector, Angie and I sought a 3rd party counsel on this, WTW. Typically, Angie would have worked directly with the Compensation Committee Chair and led them through the study for the CEO Compensation and the resultant contract. In the past, WTW has been present at the Committee Meeting and led the discussion with the Committee and had meetings with the Chair prior to the actual meeting. The CEO was not typically in the discussions with the Chair. Last Comp Committee, Aaron indicated that we were going to do this study(see attached) ad that he would not finalize his compensation until the study was complete for the whole company.

Aaron (and Ryan W) received the attached last week. Angie and I reviewed this with WTW prior and made modifications/edits – so the next step would be for Aaron and WTW to have a call to discuss and make the final changes. Compensation Committee is scheduled for May 28 at 1:00.

I do not get the impression that he is happy with the product. Let's plan to talk about this so I can give you the history and put our heads together to make sure Aaron gets the product he is seeking.

Pat

From: Maillis, Patricia L. - Director, Employee Services
Sent: Monday, April 29, 2019 11:22 AM
To: Taylor, Brandi N. - Executive Assistant <taylbn@jea.com>
Subject: FW: Updated Committee Meeting Materials

From: Maillis, Patricia L. - Director, Employee Services
Sent: Thursday, April 25, 2019 10:24 AM
To: Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>
Subject: RE: Updated Committee Meeting Materials

Here is the PPT version as well.

From: Maillis, Patricia L. - Director, Employee Services
Sent: Thursday, April 25, 2019 8:51 AM
To: Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>
Subject: RE: Updated Committee Meeting Materials

Hi Aaron,

Heard you are traveling. Do you want me to convert the Adobe doc to a PowerPoint? I've also left a physical copy in your office.

Pat

From: Zahn, Aaron F. - Managing Director/CEO <zahnaf@jea.com>
Sent: Wednesday, April 24, 2019 6:25 PM
To: Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>
Cc: Wannemacher, Ryan F. - Chief Financial Officer <wannrf@jea.com>; Strackbine, Scott I. - Compensation Specialist <strasi@jea.com>; Dykes, Melissa H. - President/COO <dykemh@jea.com>
Subject: Re: Updated Committee Meeting Materials

Can you please get me the ppt? Thanks.

Aaron F. Zahn
JEA
Managing Director & Chief Executive Officer
Email: zahnaf@jea.com
Phone: (312) 286-1040

On Apr 24, 2019, at 8:33 AM, Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com> wrote:

> Aaron and Ryan,
>
> Attached is the draft Comp Committee presentation regarding the compensation study and recommendations from Willis Towers Watson. Once you have had an opportunity to review, we can schedule a brief conference call with WTW should there be any modifications needed and discuss Committee prep.
>
> Pat
>
> **From:** Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>
> **Sent:** Monday, April 22, 2019 4:58 PM

To: Hiers, Angelia R. - VP & Chief Human Resources Officer <hierar@jea.com>; Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>; Strackbine, Scott I. - Compensation Specialist <strasi@jea.com>
Cc: Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>; Hwang, Paul (Atlanta) <paul.hwang@willistowerswatson.com>; Meng, Patrick (Atlanta) <Patrick.Meng@willistowerswatson.com>
Subject: Updated Committee Meeting Materials

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Angie, Pat and Scott:

Attached is the updated committee meeting materials. We incorporated all of the edits we discussed on our last call. Please review and let us know if there are any additional changes.

Best regards,

David Wathen
Senior Director, Rewards

Willis Towers Watson
5 Concourse Parkway *(Please note new address and work phone number)*
Atlanta, GA 30328
Work: 678.684.0751
Cell: 404.285.9848
Email: david.wathen@willistowerswatson.com

Visit Executive Pay Matters to stay up-to-date on developments, trends and issues in executive compensation and governance

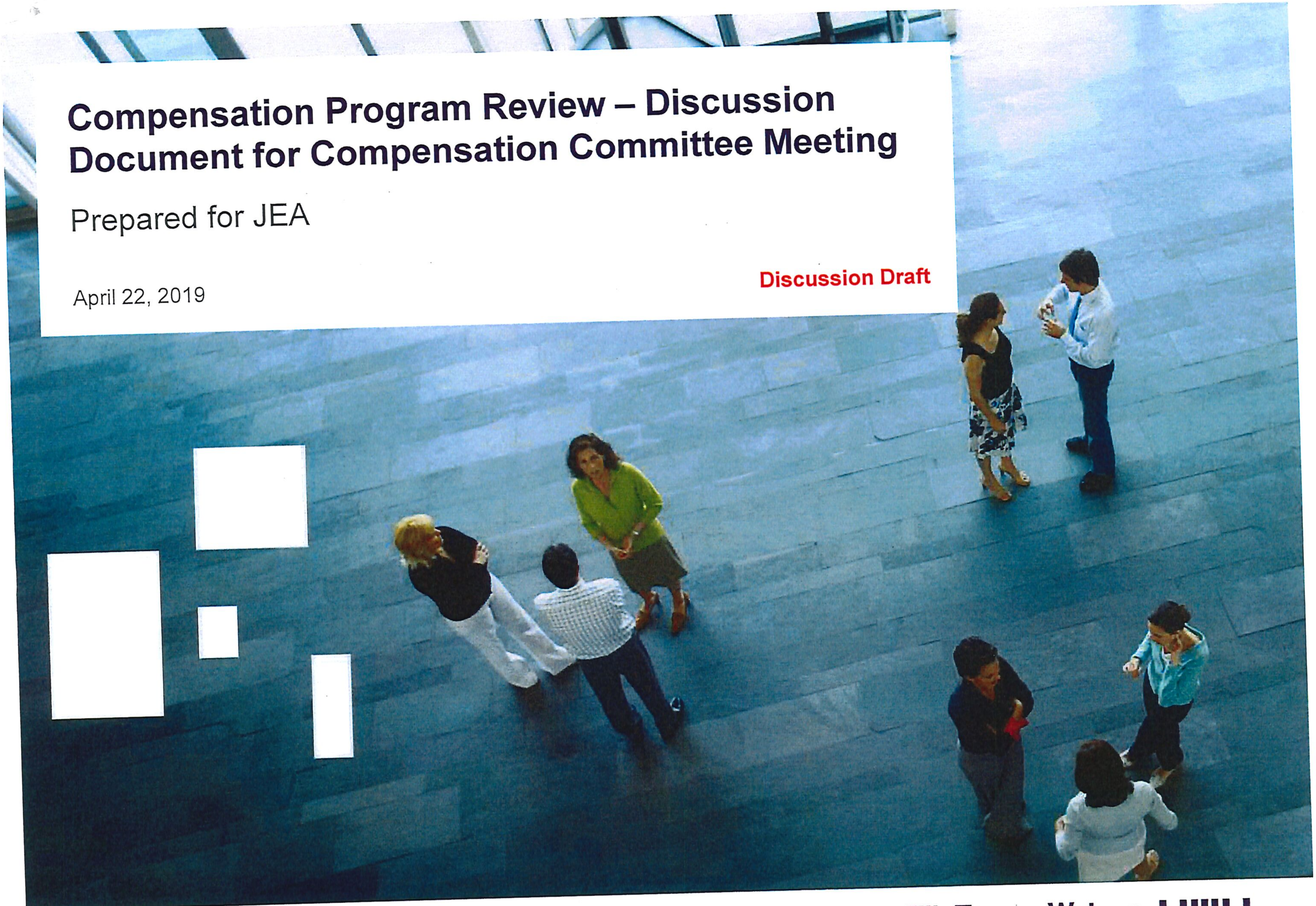
<JEA Comp Committee_Draft_4.22.19 v2.pdf>

Compensation Program Review – Discussion Document for Compensation Committee Meeting

Prepared for JEA

April 22, 2019

Discussion Draft



Willis Towers Watson

Table of Contents

Introduction

Introduction
Summary

- JEA engaged Willis Towers Watson ("WTW") to complete the following:
  - Conduct a competitive market assessment for JEA's Chief Executive Officer ("CEO") position
  - Review JEA's competitive market assessments across all employee populations
  - Provide a summary of market practices related to short-term incentive plan design
  - Conduct a competitive market analysis of long-term incentive ("LTI") plan design practices and develop a proposed design
- WTW presented its initial findings to JEA's CEO, CFO and Human Resources team, and based on their feedback, this report includes the following:
  - Confirmation of JEA's current compensation philosophy
  - Review of the evolution of JEA's compensation programs
  - Analysis of the compensation variances for JEA's Appointed population
  - Analysis of the gaps to market for JEA's Appointed population and Bargaining Units
  - Proposed LTI plan design
  - Total rewards market best practices

Compensation Philosophy Review

Compensation Philosophy Review
JEA's Current Compensation Philosophy

- The following table summarizes JEA's current compensation philosophy, which guided WTW's review of JEA's competitive market assessments:

Compensation Philosophy Element	Details
Alignment of Interest Between Employees, Stakeholders, and Organization	JEA's compensation philosophy should support the overall business and board strategy with the ultimate goal of driving performance of the organization
Market for Talent	JEA's geographic market for talent varies by job level: • Individual Contributors/Managers – local and regional scope • Directors/Executives – national scope
Target Competitiveness	Targets the market 50th %ile for all pay elements
Pay Mix	JEA's pay mix currently consists of base salary and a short-term incentive award, but JEA is implementing a long-term incentive plan in 2020 to align the interests of employees and stakeholders
Industry Perspectives	For functional roles – a 50/50 weighted mix of Utility/General Industry market data For operational roles – only Utility Industry market data

Evolution of JEA's Compensation Program

Evolution of JEA's Compensation Program

Timeline of Goals and Major Changes

Year of WTW's Review

Competitive Position Improving

2011

- Conducted competitive cash compensation analysis for approximately 200 Appointed positions, as well as a benefits assessment
- While total cash compensation levels were generally below market, benefit programs were generally above market (retirement plan significantly above market)
- JEA re-instituted a short-term incentive plan where all employees were eligible to receive an award (re-instated for FY12)

2013

- Conducted competitive market analysis, which showed an improved competitive positioning

2017

- Updated 2013 analysis, which showed that competitive positioning continued to improve
- Effective beginning FY18, the defined benefit plan closed for new participants

2019

- Competitive market positioning continues to improve
- CEO's objective is to create and implement a long-term incentive plan where all employees are eligible to receive an award

CEO Competitive Market Pricing

CEO Competitive Market Pricing
Methodology

- To conduct the competitive market pricing for the CEO position, a peer group was developed reflecting:

[redacted]

  - Survey source: Willis Towers Watson's *2018 Energy Services Industry Executive Compensation Database*

[redacted]

CEO Competitive Market Pricing

Market Pricing Details

Chief Executive Officer		Competitive Market Data[5]		
Pay Component	Data Perspective	25th %ile	50th %ile	75th %ile
Base ($000s)	Combined Peer Group	[redacted]		
	Investor Owned Utility Peers			
	Public Power Peers			
Target Bonus % [1]	Combined Peer Group			
	Investor Owned Utility Peers			
	Public Power Peers [3]			
Target TCC ($000s)	Combined Peer Group			
	Investor Owned Utility Peers			
	Public Power Peers			
LTI % [2]	Combined Peer Group			
	Investor Owned Utility Peers			
	Public Power Peers			
Target TDC ($000s)	Combined Peer Group [4]			
	Investor Owned Utility Peers			
	Public Power Peers			

"---"= Data not available.

(1) Target bonus percentages are represented as a percentage of base salary.

(2) Long-term incentive (LTI) percentages are represented as a percentage of base salary. LTI figures are based on ASC 718 (FAS 123R) "accounting values". [redacted]

(3) [redacted]

(4) Target TDC for the Combined Peer Group perspective is built up by using Base Salary, Target TCC, and LTI % data.

(5) Market data greater than $100,000 rounded to the nearest $5,000.

Compensation Benchmarking Summary

Compensation Benchmarking Summary
Methodology

- The following page contains a summary of WTW's review of JEA's competitive market data for its Appointed population (including 13 executives)
- WTW reviewed the most current incumbent and market data provided by JEA
  - Market data for the positions below the Director-level reflect a -5% geographic differential to account for the cost of labor of Jacksonville, FL vs. the US national average
  - Analysis of competitive positioning focused on market data at the 50th percentile

Compensation Benchmarking Summary

Appointed Population vs. Market 50th Percentile Variances By Job Level

- The following exhibits summarize variances comparing incumbent pay data with market data from job weighted and incumbent weighted perspectives for the Appointed population only
- Variances are similar for both perspectives, and are lower to market for executives and directors at target bonus %, target TCC, and target TDC compared to the other job levels

Job Weighted:

Level	Average Base Salary Variance	Average Target Bonus % Absolute Variance	Average Target TCC Variance	Average Long-term Incentive % Absolute Variance	Average Target TDC Variance
Executive	-12%	-33%	-28%	--	-42%
Director	-1%	-10%	-8%	--	-13%
Manager	-2%	-5%	-6%	--	-6%
Individual Contributor	-1%	-2%	-1%	--	-1%
Total	**-2%**	**-7%**	**-6%**	**--**	**-7%**

Incumbent Weighted:

Level	Average Base Salary Variance	Average Target Bonus % Absolute Variance	Average Target TCC Variance	Average Long-term Incentive % Absolute Variance	Average Target TDC Variance
Executive	-12%	-33%	-28%	--	-42%
Director	0%	-10%	-7%	--	-12%
Manager	-3%	-5%	-6%	--	-6%
Individual Contributor	0%	-2%	1%	--	1%
Total	**-2%**	**-5%**	**-4%**	**--**	**-6%**

Short-Term Incentive Plan Practices

Short-Term Incentive Plan Practices
Introduction

- JEA re-instated a broad-based short-term incentive plan several years ago, both to address competitive pay levels, as well as to reinforce specific messages related to performance expectations
- The following pages summarize market practices related to short-term incentive plan design
  - As appropriate, JEA may consider these practices as they continue to evolve their incentive plan design
  - Key design features covered include eligibility, target award opportunities, payout ranges, bonus pool funding, performance measures and performance range
- The market practices information has been summarized from survey research, as well as our consulting experiences

Short-Term Incentive Plan Practices
Eligibility

- Eligibility for short-term incentive plans is typically broad for both the Utility and General Industries, with prevalence actually higher in the Utility Industry (particularly at the lower job levels)
- Over 60% of organizations extend eligibility to the lower exempt and non-exempt roles
  - Lower roles may not have an expressed target opportunity, but they may be part of a "sharing program" based on organizational performance
  - In some cases, overall funding and participation at lower levels may be discretionary

Short-Term Incentive Plan Practices
Target Incentive Award Opportunities

- Target incentive opportunities typically increase with job level, and are relatively similar in both the Utility and General Industries
- Note that we have recommended STI targets as part of our analysis to "close the gap" between market and JEA's desired competitive positioning

Target Incentive Award Opportunities – By Job Level

	Target STI Opportunities	
Role/Career Level	Utilities	General Industry
Senior Directors	[redacted]	
Managers		
Supervisors		
Senior Level Professionals		
Entry-Mid Level Professionals		
Non-exempt		

Source: Willis Towers Watson 2018 General Industry and Energy Services MMPS Compensation Survey Reports – U.S.

Short-Term Incentive Plan Practices
Payout Ranges

- Payout ranges reflect the total award opportunity as a percentage of the target award, and represent the minimum award opportunity if threshold performance is achieved, and the maximum opportunity if maximum performance is achieved
- Payout ranges are typically 50% of target at threshold performance and 200% of target at maximum performance
  - [redacted]
- In most cases (and based on the specific performance standards), organizations will interpolate actual performance between threshold, target and maximum to provide appropriate incentive to improve performance at every possible increment
- Note that it is important to calibrate the payout range with the performance range to ensure that the awards are aligned with the probability of achievement

Short-Term Incentive Plan Practices

Bonus Pool Funding

- There are two primary approaches to determine bonus pool funding:
  1. Sum-of-targets: specific target opportunities are defined (typically by role or grade) and the sum of these targets determines the bonus "pool" (the aggregated award which would be generated at target performance)
  2. Financial results-based formula: typically a financially-driven formula (e.g., bonus pool equals 10% of profits above a specific threshold)
- The sum-of-targets approach is typically the most common in both the Utility and General Industries
  - Prevalence for financial results-based formulas increases slightly for broad-based plans that are separate from executive plans because there is often a greater requirement that they be self-funding
- Particularly for sum-of-target plans, circuit breakers are a common design feature
  - A circuit breaker represents a single performance measure (typically a financial measure) that must be reached before any incentive award is paid regardless of performance in other measures
  - In other words, if the circuit breaker financial performance isn't achieved, it shuts down the entire plan regardless of performance on other performance measures
  - Note that a financial circuit breaker may be set at levels below threshold levels for payout
- Another design feature is a modifier, which can be used to adjust the initial funding up or down based on another important measure (e.g. determine pool based on financial performance, and then modify by operational or customer performance measures)

Short-Term Incentive Plan Practices
Performance Measures

- Performance measures send an important message about what an organization must achieve, and how individual employees can contribute to those objectives
- We consider it a best practice to have a portfolio of performance measures to balance expectations across financial, operational and customer service categories
  - However, in order to ensure appropriate focus, we typically see 4-6 performance measures, with each measure having at least a 10% weight
- It is typical for organizations in both Utility and General Industry to include at least one profit or income measure, with <u>profit/operating income</u> being the most common in both industries
- For non-financial performance measures, <u>environmental health and safety</u>, as well as <u>operating/strategic measures</u> are the most common in the Utility Industry
- Individual performance measures are also common in the Utility and General Industries
  - These measures help create line-of-sight to broader corporate measures

Short-Term Incentive Plan Practices

Performance Range

- Performance ranges reflect the minimum acceptable performance as a percentage of target performance, and the maximum performance recognized as a percentage of target performance
- Narrow performance ranges are typically used for measures where results are not expected to vary significantly from target (e.g., revenues)
- Wider performance ranges are typically used for measures where performance can fluctuate significantly year to year (e.g., profitability)
- In the Utility Industry, performance ranges for profitability at minimum is typically set to be 90% of target and for maximum is typically set to be 115% of target
- An important consideration in establishing the performance range is the probability of achievement
  - A best practice is to set threshold performance goals where the probability of achievement is 80-90% to ensure appropriate motivation
  - Similarly, probability of achievement for target performance should be 50-60% and 10-20% for maximum performance
  - As noted earlier, it is important to calibrate the performance range with the payout range

Long-Term Incentive Plan Design

Long-Term Incentive Plan Design
Introduction

Why Companies Have Long-Term Incentive Plans	Factor Driving JEA Inclusion of LTI
Focus on long-term performance and align performance to long-term business strategies	✓
Necessary component of a market competitive compensation program for investor owned utilities	✓
Aligns the interests of employees with stakeholders	✓
Fosters long-term retention	✓
Encourages teamwork and collaboration across groups, functions, businesses, etc.	✓
Rewards for long-term shareholder/stakeholder value creation	✓
Balances focus on short-term results that are driven by annual incentives	✓

Long-Term Incentive Plan Design
Market Practices Summary

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Prevalence	LTI plans are uncommon, but used selectively	All 13 IOU peers have an LTI plan	LTI plans are very prevalent with almost all IOUs using an LTI plan
Eligibility	For those Public Power Utilities with an LTI plan, eligibility typically limited to select executives	Typically executives down to director level positions	Typically executives down to director level positions
Target Opportunity (% of Base Salary)	Varies widely based on the organization, but targets will be lower than IOU levels	Median for CEOs: 230% Median for NEOs*: 110% Median for Directors: NA	[redacted]
Award Frequency	Annual awards with overlapping cycles are most common	All 13 peers grant annual awards with overlapping cycles	[redacted]

NEOs* = Named Executive Officers, as disclosed in the IOU's proxy statement.

Long-Term Incentive Plan Design

Market Practices Summary (continued)

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Award Vehicles	Cash-based performance plans	100% of peers use performance plans 69% use restricted stock No peers use stock options	[redacted]
Performance Metrics	Financial and operational	TSR (100%) EPS (38%) Operational (15%)	[redacted]
Performance Metrics Weights	Operational metrics weighted more heavily than financial metrics	TSR and financial metrics weighted more heavily than operational metrics	Not available
Performance Range	More conservative compared to IOUs	Relative TSR: 28th %ile at threshold, 50th %ile at target, and 90th %ile at maximum	[redacted]
Payout Range	Threshold: 50% of Target Maximum: 150% of Target	Threshold: 0-50% of Target Maximum: 150-200% of Target	[redacted]

Long-Term Incentive Plan Design

Proposed Design

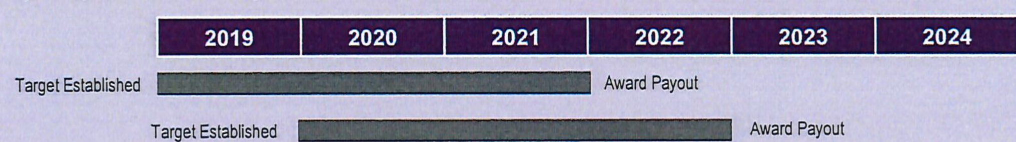
- *Given consideration of the overarching goal to allow all employees the opportunity to share in the long-term success of the company, we propose a multi-pronged LTI design approach below:*

LTI Plan Funding	LTI Award Vehicles	LTI Eligibility	Award Frequency	Performance Measure	Performance Cycle / Vesting
Self Funded based on Contribution to City	Performance Unit*	All Employees	Annual	Customer Rates	3 Years
	Time-Based Unit*	Critical Skilled / Retention Risk	Ad Hoc	Not Applicable	3 Year Cliff

* Value of units tied to JEA Net Book Value.

Long-Term Incentive Plan Design
Proposed Design Details: Performance Unit

Performance Unit

Plan Design Element	Plan Design Details
Award Vehicle	• Performance Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined
Eligibility	• All employees would be eligible in order to drive collective focus on JEA long-term performance
Target Award Opportunity (as % of base salary)	• Award opportunities vary based on level in the organization (see page 31 for proposed targets); intent is to close competitive gap to market for LTI over 2 to 3 years. Proposed targets are intended to keep JEA compensation competitive with market 50th percentile
Award Frequency	• Annual
Circuit Breaker	• Defined level of contribution to the City will be established for each award cycle; intent is for contribution level to ensure LTI plan is self funded
Performance Measures	• Net Book Value: used to determine Performance Unit value • Customer Rates: performance measure used to modify the number of Performance Units earned; performance goal to be determined
Performance Period	• 3-year performance cycle with overlapping cycles due to annual grant frequency 
Payout Range	• Threshold: 50% of Target • Maximum: 150% of Target
Estimated Cost	• Estimated cost of annual Performance Unit awards to all employees based on current incumbent base salaries* is $4M

*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.

Long-Term Incentive Plan Design

Proposed Design Details: Time-Based Unit

Time-Based Unit

Plan Design Element	Plan Design Details
Award Vehicle	• Time-Based Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined
Eligibility	• All employees eligible, but awards targeted to **critically skilled employees or employees viewed as retention risk**; awards generally intended for Manager level positions and below in order to enhance employee retention • Target 10% of employees below the Director level (approximately 1,500 including Bargaining Units) or approximately 150 employees below the Director level to receive awards each year
Target Award Opportunity (as % of base salary)	• Retention award values range from 10% to 20% depending on criticality of role and/or retention need
Award Pool Funding	• Defined level of contribution to the City will be established each year with intent for contribution level to ensure LTI plan, covering both Performance Unit and Time-Based Unit awards, is self funded
Award Frequency	• Ad hoc awards
Vesting Period	• 3-year cliff vesting period
Estimated Cost	• Estimated cost of annual Time-Based Unit awards to employees below the Director level based on current incumbent base salaries* is $1.2M

*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.

Proposed Compensation Adjustments

Proposed Compensation Adjustments

Competitive Pay Gaps to Market by Pay Element

- The following exhibit summarizes the current gaps to market for JEA's population (excluding the M&C roles due to lack of incumbent data) by each pay element:
  - JEA's base salary, target TCC, and target TDC show variances comparing incumbent pay to market for the Appointed population
  - Bargaining Units' pay elements and JEA target bonus % are based off of pay structures (many of the Bargaining Units are in step structures)
- Gaps to market exist at target bonus % and long-term incentive %, particularly for the executives and directors, which lead to higher variances to market at target TCC and target TDC

Job Weighted:

Level	Average Base Salary/Midpoint Variance	Average Target Bonus %		Average Target TCC Variance	Average Long-term Incentive %		Average Target TDC Variance
	JEA	JEA	Market	JEA	JEA	Market	JEA
Executive	-12%	10%	[redacted]	-28%	--	[redacted]	-42%
Director	-1%	8%		-8%	--		-13%
Manager	-2%	7%		-6%	--		-6%
Individual Contributor	-1%	6%		-1%	--		-1%
Bargaining Units	11%	2%		8%	--		8%
Total	**3%**	**5%**		**-1%**	--		**-2%**

Note: Market data provided by JEA.

Proposed Compensation Adjustments

Proposed Base Salary, Target Bonus and Long-Term Incentive Adjustments

- **Base Salary**: assess individual competitive position to market; for individual positions well below market, JEA should bring positions to within the competitive range of the market median within two to three years, assuming that performance expectations are being met
- **Target Bonus % and LTI % (as % of salary)**: the tables below summarize JEA's current average target bonus and LTI incentive opportunities and WTW's proposed target values
  - The proposed incentive adjustments are intended to partially close the gap to market with the intent of moving to market within two to three years, depending on market movement

	Target Bonus %			LTI Opportunity %			Total At Risk Compensation		
Level	Current	Market	Proposed	Current	Market	Proposed	Current	Market	Proposed
Executive	10%	[redacted]	20%	--	[redacted]	30%	10%	[redacted]	50%
Director	8%	[redacted]	10%	--	[redacted]	15%	8%	[redacted]	25%
Manager	7%	[redacted]	7%	--	[redacted]	3%	7%	[redacted]	10%
Individual Contributor	6%	[redacted]	7%	--	[redacted]	3%	6%	[redacted]	10%
Bargaining Units	2%	[redacted]	--	--	[redacted]	1%	2%	[redacted]	3%

- **Estimated Cost Impact:** the estimated incremental cost impact of the proposed target bonus and LTI adjustments are as follows:
  - Target Bonus Cost: $400K based off current incumbent base salaries
  - LTI Cost: $4M based off current incumbent base salaries for performance unit award ($5.2M if time-based unit award is included)

Note: Market data provided by JEA.

Proposed Compensation Adjustments
Market Positioning Based on Proposed Pay Adjustments

- The following exhibit summarizes the competitive position of JEA pay based on WTW's proposed target bonus % and LTI % adjustments
  - JEA's competitive position to market improves at all levels with Executive level competitive gap to market target TDC cut in half
    - While a competitive gap to market for executives at target TCC and target TDC still exists, applicable base salary adjustments and multi-year approach for adjusting target bonus and LTI plan will close the gap
  - All levels except for executives at target TCC and all levels at target TDC fall within the competitive range of market (defined as +/-15% for target TCC and +/-20% for target TDC)

Job Weighted:

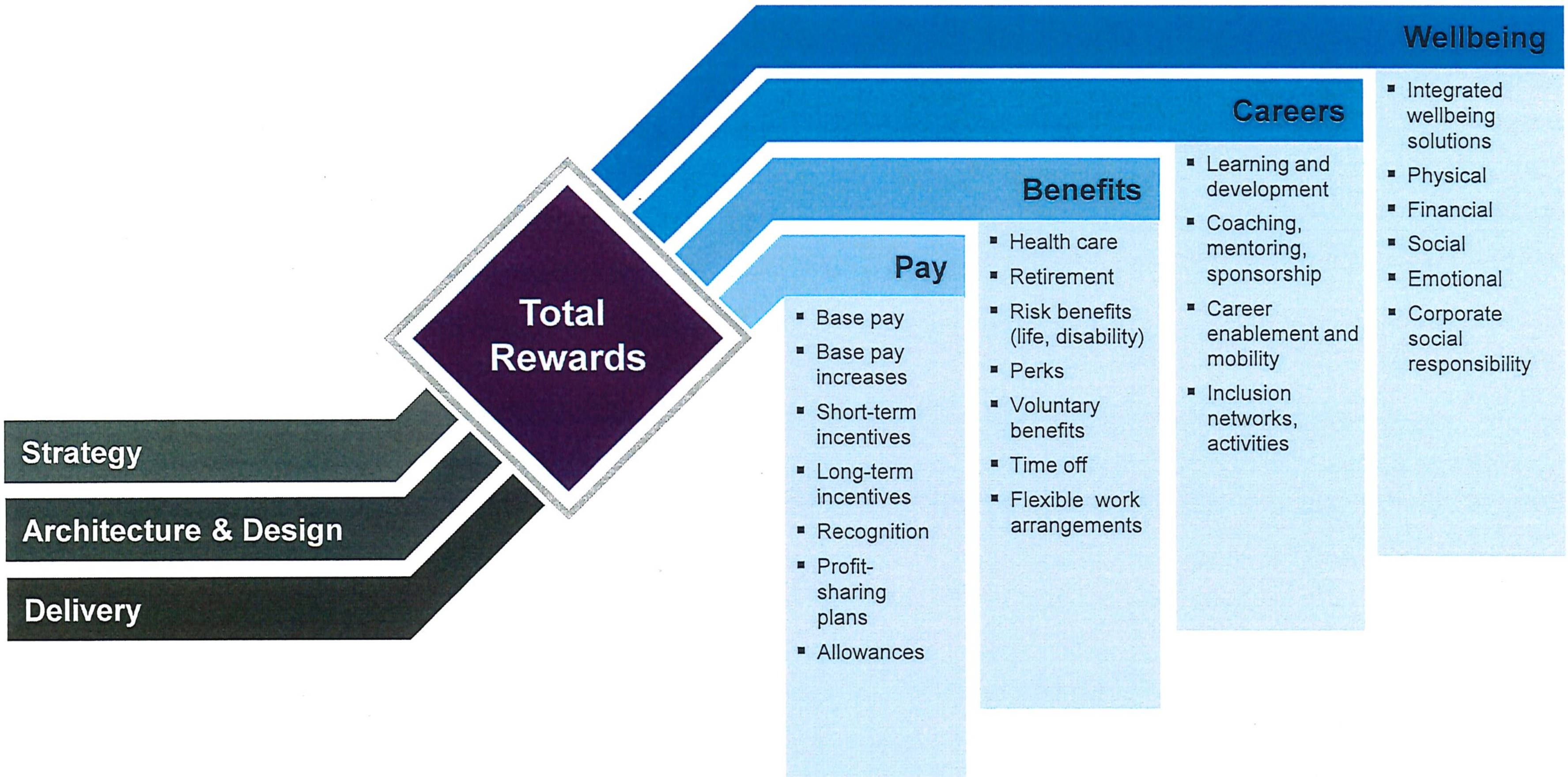
Level	Average Base Salary/Midpoint Variance	Average Target Bonus %		Proposed Target TCC Variance	Average Long-term Incentive %		Proposed Target TDC Variance
	JEA	JEA Proposed	Market	JEA	JEA Proposed	Market	JEA
Executive	-12%	20%	[redacted]	-22%	30%	[redacted]	-20%
Director	-1%	10%		-6%	15%		1%
Manager	-2%	7%		-6%	3%		0%
Individual Contributor	-1%	7%		-1%	3%		5%
Bargaining Units	11%	2%		8%	1%		9%
Total	3%	6%		0%	4%		4%

Note: Market data provided by JEA.

Modernizing Total Rewards

Modernizing Total Rewards

Integrated Total Rewards strategy, architecture & design and delivery for a superior Talent Value Proposition



Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

Modernizing Total Rewards

Key themes emerging in the market with implications for Total Rewards

1. Future focused

Emerging work dynamics and skills and multi-generational workforce re-write the deal

2. Technology Advancements

Expansion of *digitization* of the Total Rewards delivery and experience

3. Optimising cost and risk of TR

Analytics and data measurement

4. Segmentation

More tailored Total Rewards with increased choice

5. Consumerism and flexibility

Expansion of worker choice and *voluntary benefits*

6. Transparency

Legislative and social media increase public scrutiny

7. Inclusion and diversity

Total rewards that enable an inclusive culture and diverse workforce

8. Wellbeing

Holistic *physical, financial, social and emotional health*

9. Talent experience

Emphasis on *workplace differentials* that enhance the environment and Talent Value Proposition

10. Good governance

Being *agile and nimble* to adapt to changing, fast-moving business strategies

Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

Modernizing Total Rewards

Our findings identify five areas critical to meeting employees' Total Rewards expectations and delivering a consumer-grade experience

1. Understand what employees value
2. Consider employee wellbeing a top priority
3. Make effective use of technology
4. Measure cost and impact of programs
5. Prioritize fairness, purpose-driven benefits, and I&D

Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

Appendix

Appendix

CEO Competitive Market Pricing Utility Peer Group

[redacted]

JEA	Public Power	$1,790	3,330	Diversified	X	X	X
Percentile Rank		60%	45%				

[redacted]

Appendix
Incentive Plan Review Methodology

- The competitive market review of short and long-term incentive plan design practices covered the following:
  - Utility and General Industry market best practices were considered
  - Peer group reflecting a mix of Public Power Utilities and comparably-sized IOUs was developed for the LTI plan design review
- Sources:
  - WTW's *2018 General Industry and Energy Services Executive Compensation Survey Report*
  - WTW's *2018 General Industry and Energy Services MMPS Compensation Survey Report*
  - WTW's *2018 Long-Term Incentives Policies and Practices Survey Report – General and Utility Industries data cuts*
  - WTW's *2018 Global Executive Incentive Design Survey*
  - Consulting experience with broad-based and executive compensation practices in both the Utility and General Industries

Appendix
LTI Plan Design Review Utility Peer Group

IOUs (13 Companies)

- ALLETE
- Alliant Energy
- Avista
- Black Hills
- El Paso Electric
- Hawaiian Electric Industries
- NorthWestern Energy
- OGE Energy
- Otter Tail
- Pinnacle West Capital
- PNM Resources
- Portland General Electric
- Vectren

Public Power Utilities

- *Six public power utility clients*
- *Anecdotal consulting experience*

Total Market Compensation Strategy

January 2018

COMMITMENT TO RESULTS & VALUE

Company Culture and Strategy Driven by Good Well Aligned "Total Compensation Program"

LEADING BY EXAMPLE

DRIVING ORGANIZATIONAL CULTURE

EMPLOYEE ENGAGEMENT & BEHAVIOR

RETAINING AND ATTRACTING TALENT

ALIGNMENT OF COMPANY AND EMPLOYEE GOALS

STRATEGY TO DRIVE THE BUSINESS

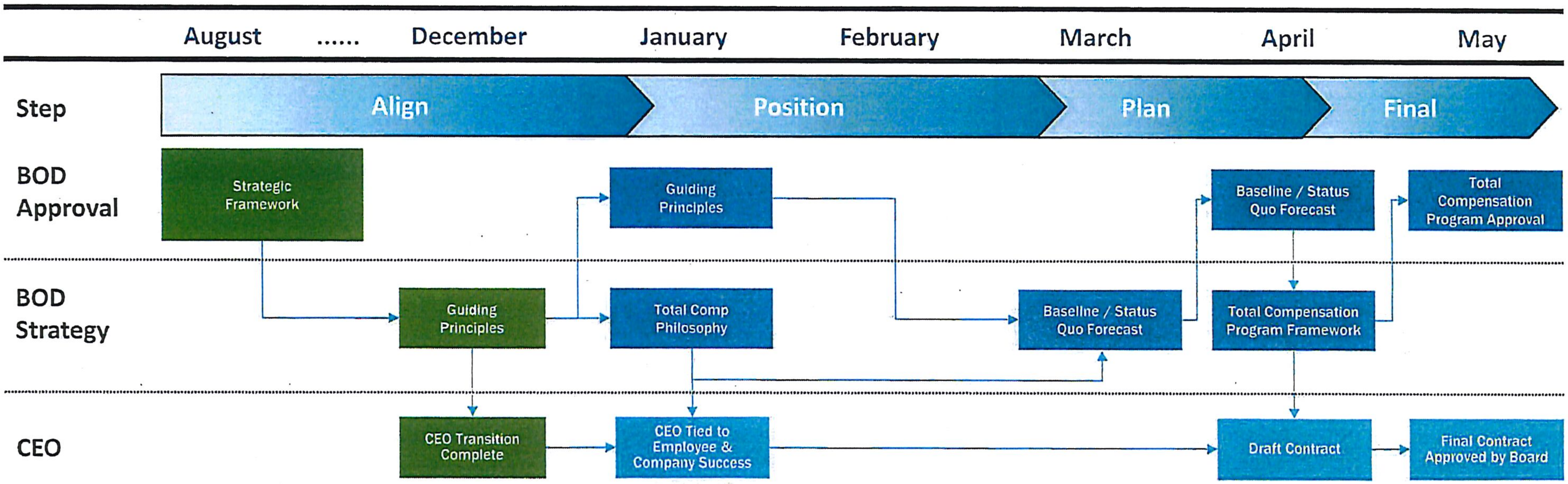
TAKING CALCULATED RISKS & EXECUTE

ACHIEVE EXTRAORDINARY RESULTS

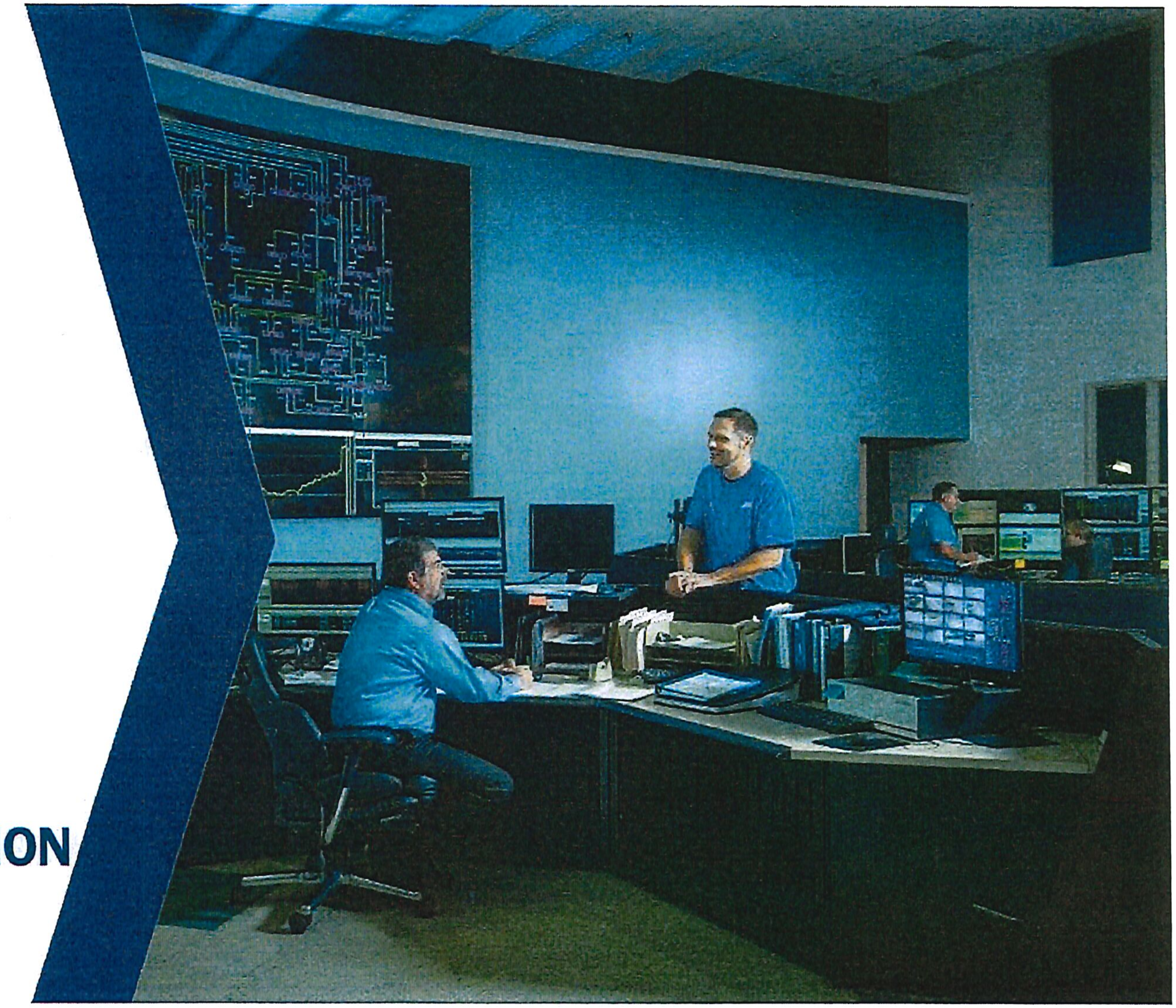
ALIGNMENT OF COMPENSATION TO RESULTS

ALIGNING TO RESULTS & VALUE

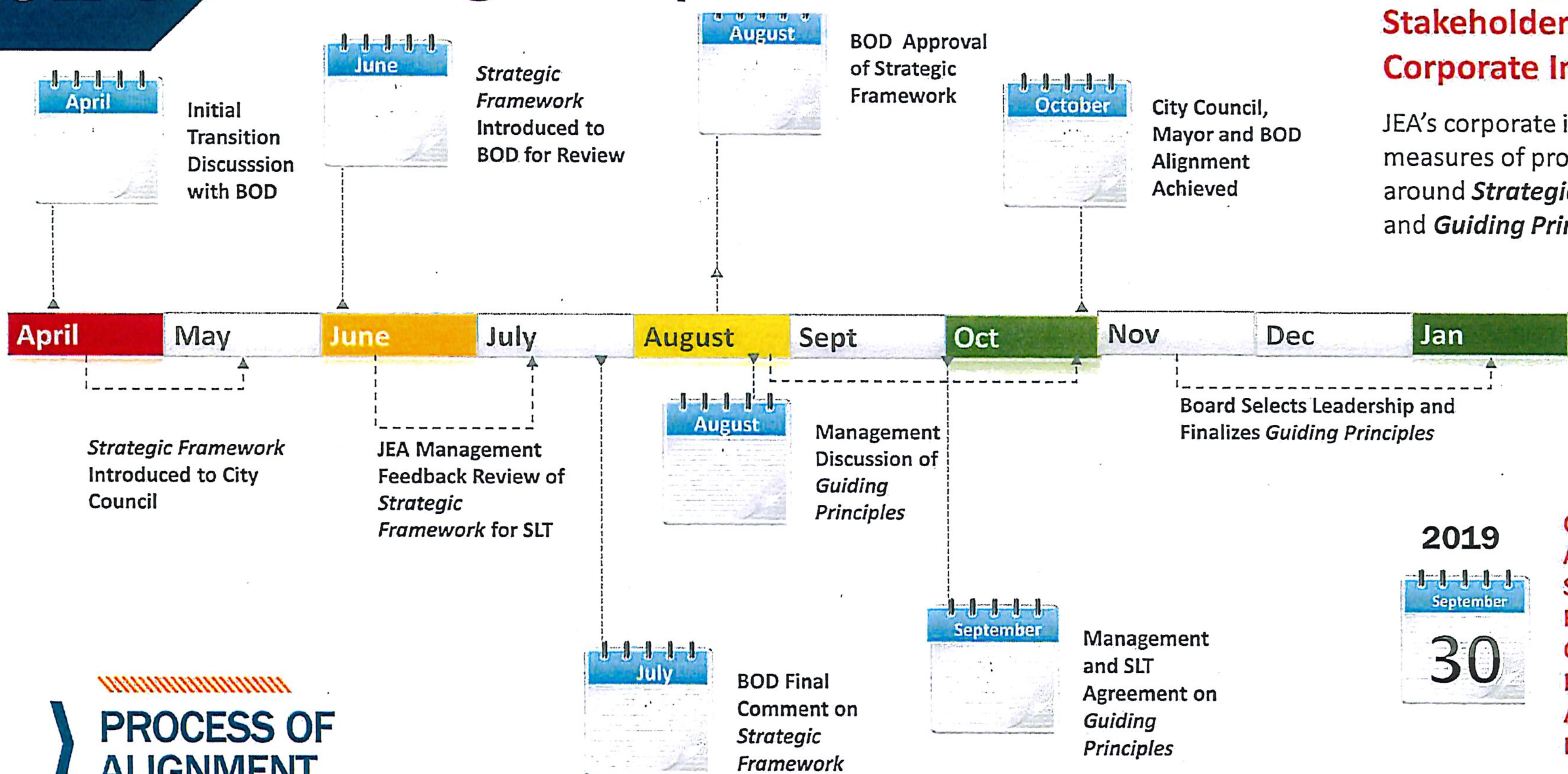
- Board wants all employee compensation to be aligned with: 1) Total Compensation Philosophy; and 2) driving Results vs. Baseline
- Board to agree on TC Philosophy and Baseline before finalizing Total Compensation Program for all employees



TOTAL COMPENSATION PHILOSOPHY



"Guiding Principles" More Than Talk



Result: Alignment of Stakeholders to JEA Corporate Initiatives

JEA's corporate initiatives and measures of progress aligned around ***Strategic Framework*** and ***Guiding Principles***

2019

September 30

COMPLETE ALIGNMENT OF STRATEGIC FRAMEWORK, GUIDING PRINCIPLES AND STRATEGIC PLAN

PROCESS OF ALIGNMENT

GUIDING PRINCIPLES
ACCELERATING UTILITY INNOVATION

Vision
Why we exist and who we want to be in the future

Improve lives by accelerating innovation

Mission
How we are going to pursue our vision and what we need to do today to get there

Provide the best service by becoming the center of our customers' energy and water experience

Corporate Measures
Our mission will be guided by and evaluated against how we as employees drive these four basic Corporate Measures of JEA's value

The fundamental goal is to maximize each value both now and in the future:

1) **Customer value**
What a customer expects to get in exchange for the price they pay

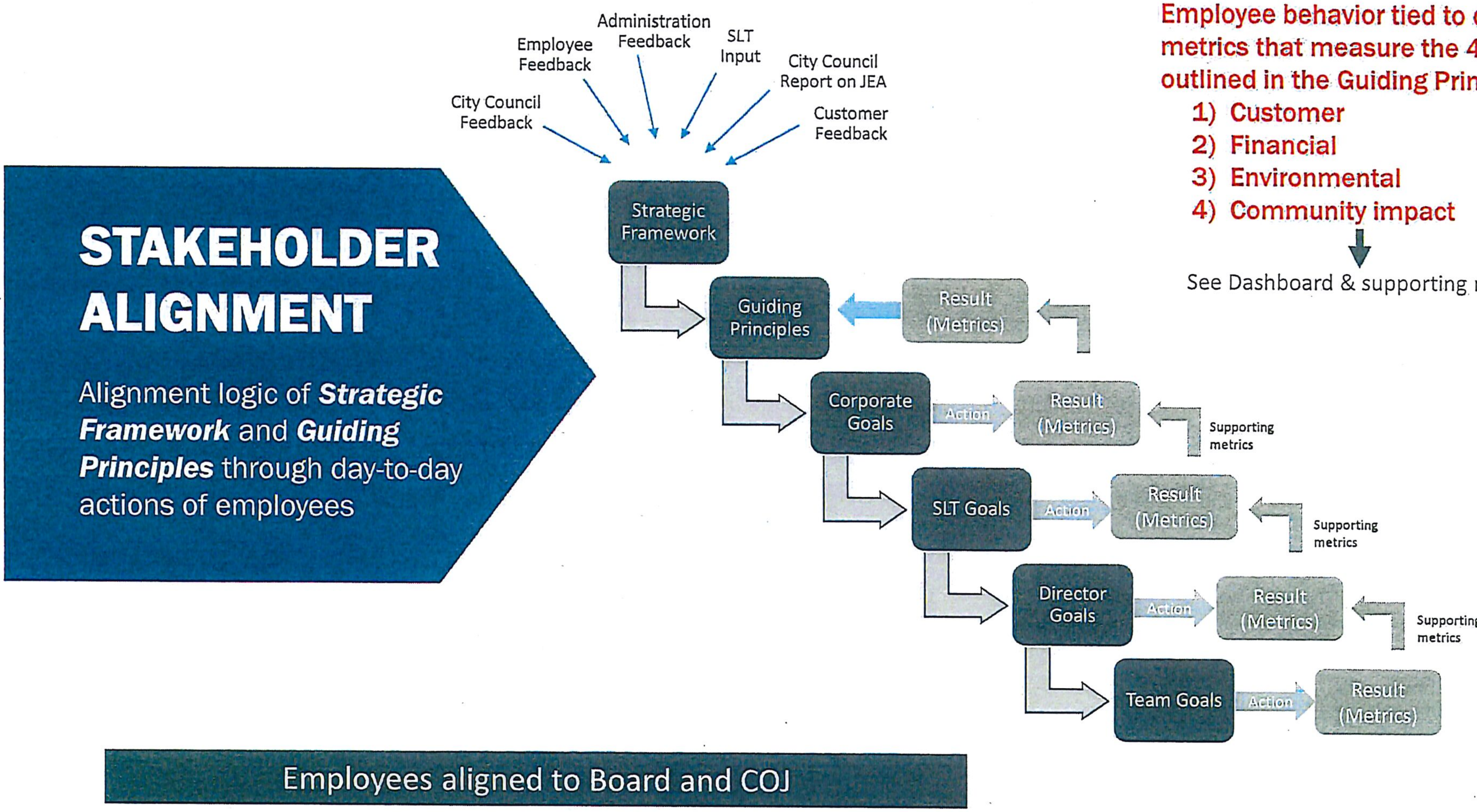
2) **Financial value**
The monetary value and risk profile, both today and tomorrow, of JEA as it relates to the City

3) **Community Impact value**
Improving the quality of life through innovative and cost-effective service offerings, employee volunteerism and ambassadorship, relevant and timely communications, and support of economic development and job growth throughout JEA's service territory; foster a collaborative and respectful corporate culture that provides exceptional employee value to equip the JEA team to deliver outstanding service and value to its community

4) **Environmental value**
Ensuring a sustainable environment for future generations

Core Competencies
The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision

- Deliver an unparalleled positive customer experience
- Work together to elevate the entire team
- Innovate and evolve to match our customer's needs with market trends



Employee behavior tied to driving metrics that measure the 4 values outlined in the Guiding Principles:

1) **Customer**
2) **Financial**
3) **Environmental**
4) **Community impact**

See Dashboard & supporting metrics

JEA

GUIDING PRINCIPLES

ACCELERATING UTILITY INNOVATION

Corporate Measures

Our mission will be guided by and evaluated against how **we as employees drive these four basic Corporate Measures** *of JEA's value*

The fundamental goal is to maximize each value both now and in the future:

1) **Customer Value**
2) **Financial Value**
3) **Environmental Value**
4) **Community Impact Value**

Employee behavior key to maximizing value

JEA

GUIDING PRINCIPLES
ACCELERATING UTILITY INNOVATION

Core Competencies

The things we need to be exceptionally and uniquely good at in order to yield better and better results of our Corporate Measures which drive our Mission to demonstrate our Vision

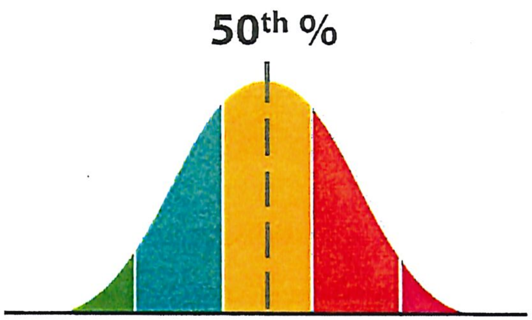
Work together to elevate the entire team

Core competencies accelerate results

ELEVATE THE ENTIRE TEAM

1. Ensure JEA's corporate compensation philosophy is aligned with JEA's Guiding Principles
2. Encourage long-term culture of value creation
3. Establish formal compensation policy to align behavior to 4 Corporate Measures of Value and market based compensation
4. Ensure policy promotes collaboration to drive Vision and Mission

Employee incentives should drive "value" & "teamwork"



JEA's current total compensation structure aims to compete with the market for talent

JEA'S COMPENSATION PHILOSOPHY

JEA Board Policy Manual

(Policy 2.7 adopted by JEA Board on June 17, 2014)

"With respect to employment, compensation, and benefits to employees, consultants, contract workers and volunteers, the CEO shall not cause or allow jeopardy to financial integrity or to public image. Accordingly, the CEO will not:

Promote a compensation philosophy that is contradictory to JEA's philosophy of providing a total rewards package that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits.

Salary/wages will meet the market (50% percentile), which is where the majority of companies in the geographical area reside. The 50th percentile pays competitively for behavior that meets expectations. Additional consideration will be given to behaviors that exceeds expectations which are typically rewarded at the 75th percentile. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs."

HOW DO WE DEFINE TOTAL COMPENSATION?

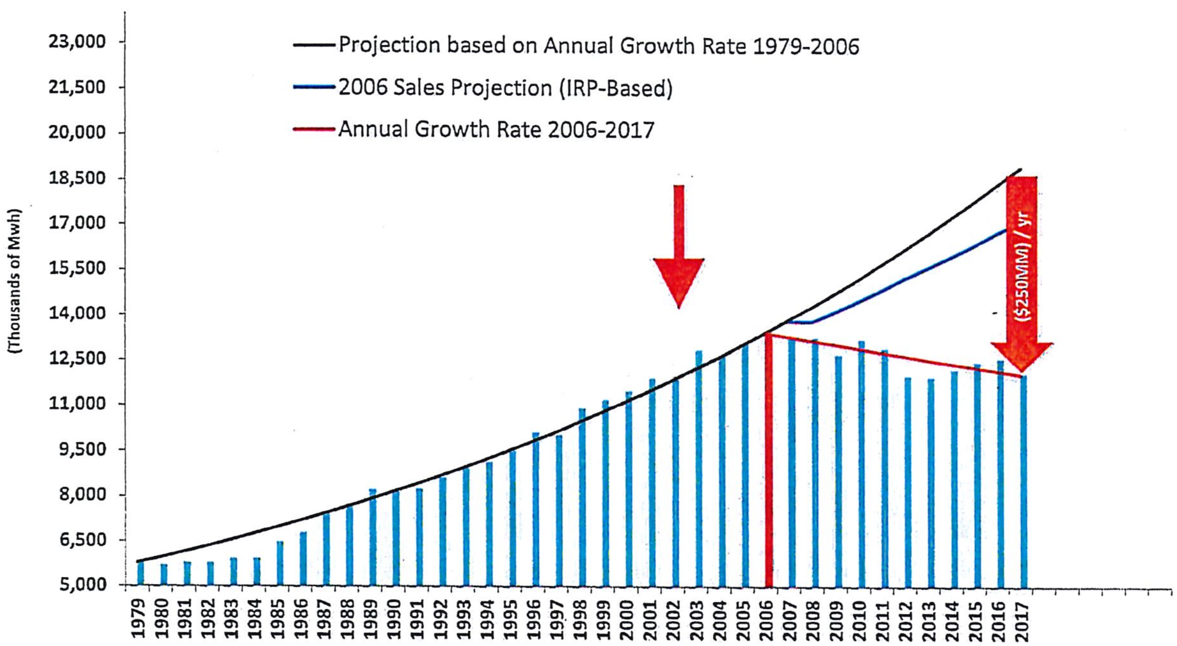
	BASE	+	SHORT TERM INCENTIVE	+	LONG TERM INCENTIVE
JEA	$132.8		$5.2		$0.0
50% Percentile	$124.9		$10.5		$5.5
DELTA ▲	$7.9		($5.3)		($5.5)

Above numbers exclude healthcare and retirement

Dollars above are in millions

JEA's total compensation structure does not reward value creation

2007 to 2017 JEA lost Avg. of $130 MM / yr in FCF ($1.4B of cash) vs IRP Case



WHY FOCUS AND COMPENSATION ALIGNMENT MATTERS

Industry Macro Trends Impacting JEA

Energy Efficiency (2000's tech trend)

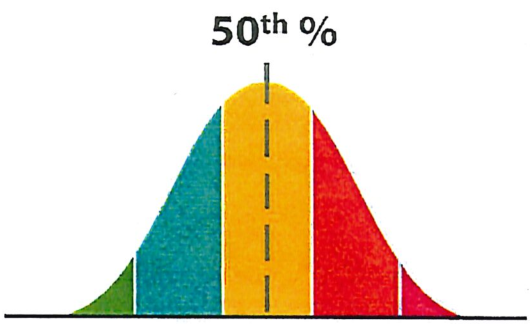
- Mandates account for >90% of reduction in electric sales
- 30% lower sales in 2017 than forecasted back in 2006

Distributed Generation (2010's tech trend)

- Solar growth increasing in JEA territory 67% CAGR since FY 14
- >$2.5MM of Net Income lost to distributed generation annually

Distributed Storage & iDER (2020's tech trend)

- Similar cost / performance trends to distributed generation being witnessed
- Storage will change the entire energy sector once cost parity with utility achieved



JEA's total compensation structure should both compete with the market for talent & drive results aligned with "guiding principles"

JEA'S COMPENSATION PHILOSOPHY

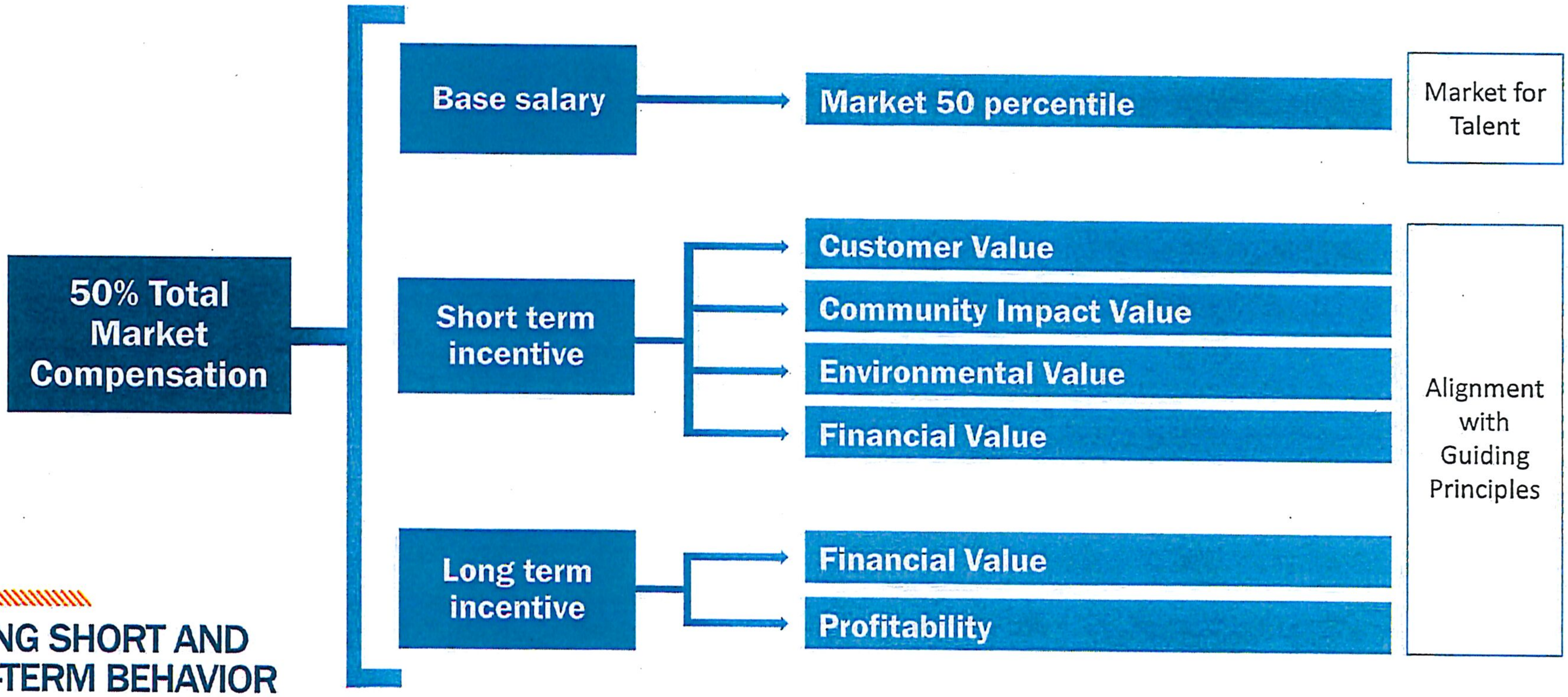
RECOMMENDED: JEA Board Policy Manual

(Revision to Policy 2.7 adopted by JEA Board on June 17, 2014)

"With respect to employment, compensation, and benefits to employees, consultants~~,~~ and contract workers~~ and volunteers~~, the CEO shall~~ not cause or allow jeopardy to financial integrity or to public image. Accordingly, the CEO will not: P~~promote a compensation philosophy ~~providing a total rewards package~~ that encompasses salary/wages, retirement benefits, incentives and health and welfare benefits that align with and drive JEA's Corporate Measures of value: 1) Customer; 2) Financial; 3) Environmental; and 4) Community Impact.

Total compensation ~~Salary/wages~~ will meet the market (50% percentile), which is where the majority of companies in the industry and geographical area reside. Total compensation will include Base Salary, Short Term Incentives and Long Term Incentives. The 50th percentile pays competitively for behavior that meets expectations. Short term and long term incentives will align to and drive JEA's Corporate Measures of Value. Internal equity will be achieved by evaluating differences in skill, effort, responsibility and working conditions among jobs."

Establish a Formal Compensation Policy to Align with: 1) Talent Market and 2) Guiding Principles



DRIVING SHORT AND LONG-TERM BEHAVIOR

ADAPTABLE CULTURE

Cultural Values

Safety

Service

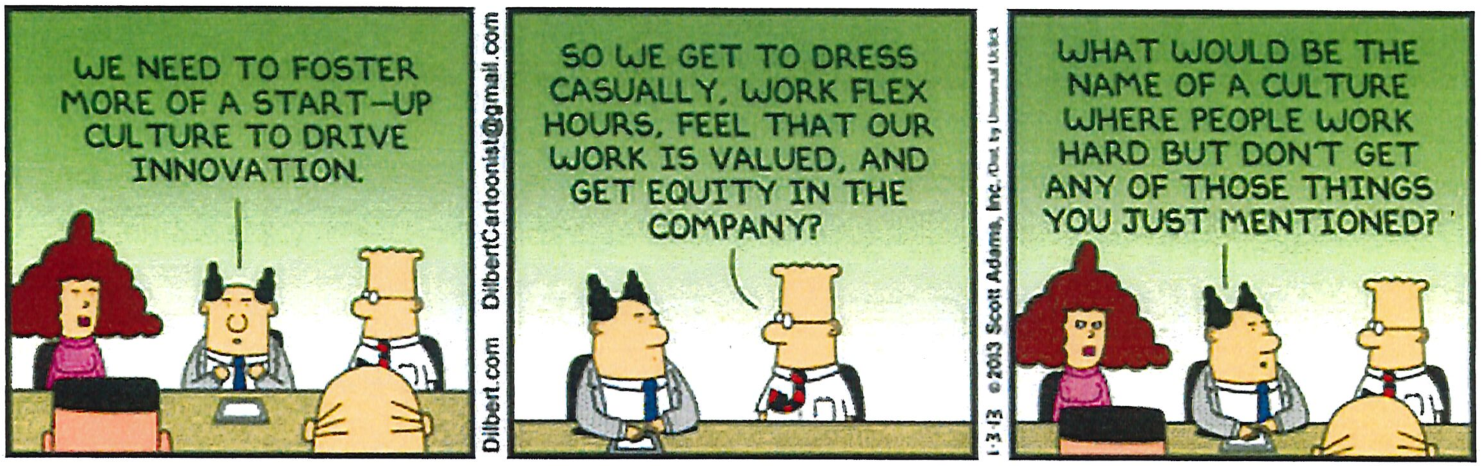
Growth^2

Accountability

Integrity

Ideas

CULTURE EATS STRATEGY



CULTURE IS CELEBRATED

Driving Toward Success

Willing to take appropriate and calculated risks and fail from time to time in order to achieve extraordinary results

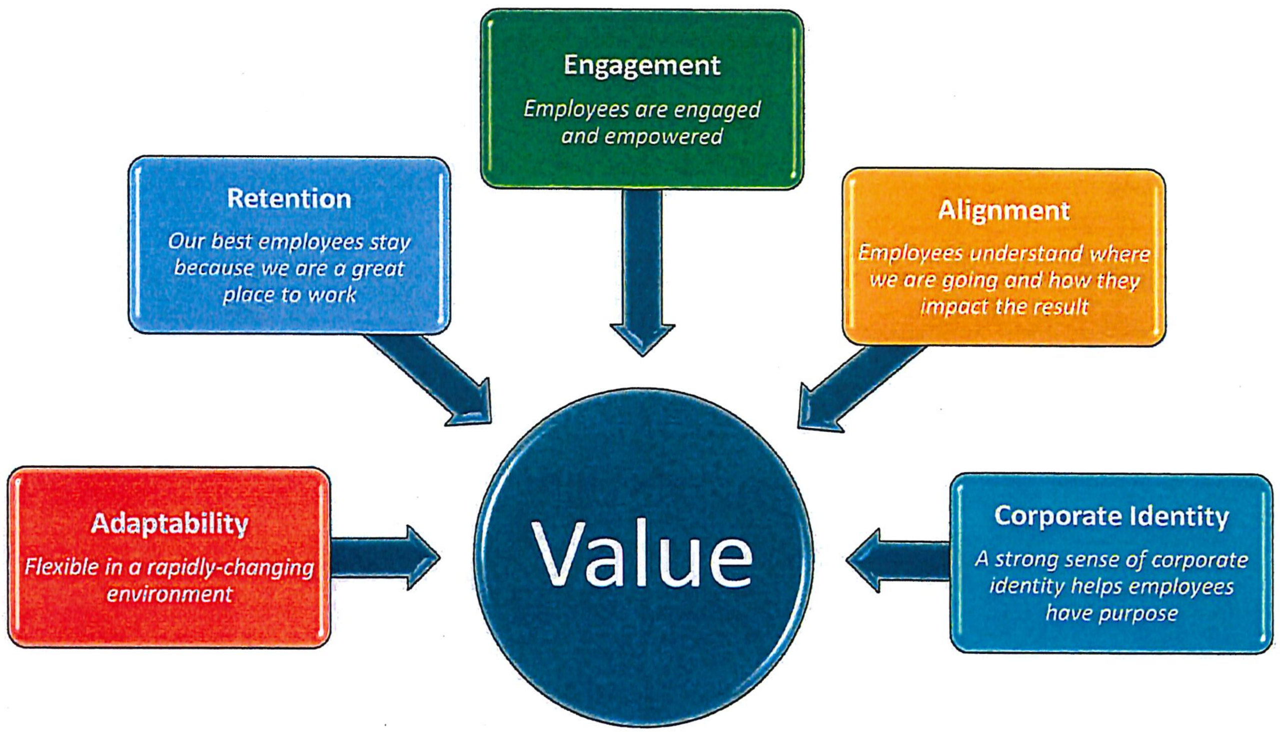
Working Not to Fail

Culture and individuals motivated by risk aversion striving not to fail rather than to succeed

WHERE ARE WE GOING?

Vision: Improve lives by accelerating innovation

Mission: Provide the best service by becoming the center of our customer's energy and water experience



innovation 5 to 5 incentive program

THINK OUTSIDE THE BOX

ACCELERATING AN INNOVATIVE CULTURE

INTRODUCING THE

5 to 5 Innovation Incentive Program

- 5 to 5 is about culture
- Purpose of the ***5 to 5 Innovation Incentive Program*** is to encourage and reward employees for developing and submitting innovative *ideas* (*Ideas* being one of JEA's core values) that benefit JEA and our community.
- Employees who submit an *idea* that is implemented will be eligible for incentives ranging between ***$500 to $5,000*** depending on the scope, cost savings, and/or revenue generation associated with the submitted *idea* and corresponding results.
- *Ideas* will align with JEA's corporate measures:
  - *Customer Value*
  - *Financial Value*
  - *Environmental Value*
  - *Community Impact Value*

From:	Wathen, David (Atlanta)
To:	Maillis, Patricia L. - Director, Employee Services; Deeb, Andrea (Atlanta)
Cc:	Kendrick, Jonathan A. (Jon) - Interim VP & HR Officer; Strackbine, Scott I. - Compensation Specialist; Hwang, Paul (Atlanta); Meng, Patrick (Atlanta)
Subject:	RE: JEA Comp Committee Draft - Aaron"s Comments
Date:	Thursday, May 9, 2019 11:05:16 AM
Attachments:	20190509 JEA Comp Committee Draft.pdf

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Pat:

Updated report is attached. We incorporated all of the edits and added some clarifying points around the pay adjustments on pages 31 and 32. One question on Aaron's edits, on page 7, under 2019, the first bullet was changed to read, "Competitive market positioning continues to improve JEA value creation". How does the improved pay positioning drive value creation at the company? Improved attraction and retention? Better company performance? We were curious as to the context for this comment.

Also, we have the May 28 Committee meeting and June 25 Board meeting on our calendars.

Please let us know if you have any questions.

Thanks

David

From: Maillis, Patricia L. - Director, Employee Services [mailto:mailpl@jea.com]
Sent: Tuesday, May 07, 2019 6:17 PM
To: Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>; Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>
Cc: Kendrick, Jonathan A. (Jon) - Interim VP & HR Officer <kendja2_Old@jea.com>; Strackbine, Scott I. - Compensation Specialist <strasi@jea.com>
Subject: JEA Comp Committee Draft - Aaron's Comments

Hi David,

Aaron has reviewed and made some edits directly to the doc. Below is a summary of the pages changed (see attached):

Page 3 combined sub bullet 1 and 2 and removed specific reference to CEO analysis
Page 5 Target Competitiveness detailed the pay elements. Would it also be appropriate to add Total Cash and Total Compensation as well?
Page 7 2013 edited
2017 Added the reference to DC plan
2019 change the reference from the CEO to the Board

Page 30 – 32 Aaron is questioning why WTW did not provide the proposed at full market per page

PENGAD 800-631-6989 EXHIBIT 30 Kendrick 6/29/20

30. Aaron is seeking to align with the Board's approve compensation philosophy – total compensation at 50th percentile. Suggest removing Proposed and perform the cost calculation based on delta between what we pay today and the market. The assumption should be adopting full market 50th. Please update to reflect this methodology.

I meet with Aaron on Thursday afternoon. He will then be on vacation until Wednesday of next week, and I am out on Monday and Tuesday. We are on schedule for the Compensation Committee later this month and the Board next month. Please confirm you have these dates and times.

Procurement is finalizing some details that I was not aware that Angie needed to do for payment (we set up PO's).

Pat

Compensation Program Review – Discussion Document for Compensation Committee Meeting

Prepared for JEA

May 9, 2019

Discussion Draft

Willis Towers Watson

Table of Contents

Introduction

Introduction
Summary

- JEA engaged Willis Towers Watson ("WTW") to complete the following:
  - Conduct a competitive market assessment for JEA's entire employee population
  - Provide a summary of market practices related to short-term incentive plan design
  - Conduct a competitive market analysis of long-term incentive ("LTI") plan design practices and develop a proposed design
- This report includes the following:
  - Confirmation of JEA's current compensation philosophy
  - Review of the evolution of JEA's compensation programs
  - Analysis of the compensation variances for JEA's employee population
  - Analysis of the gaps to market for JEA's Appointed population and Bargaining Units
  - Proposed LTI plan design
  - Total rewards market best practices

Compensation Philosophy Review

Compensation Philosophy Review
JEA's Current Compensation Philosophy

- The following table summarizes JEA's current compensation philosophy, which guided WTW's review of JEA's competitive market assessments:

Compensation Philosophy Element	Details
Alignment of Interest Between Employees, Stakeholders, and Organization	JEA's compensation philosophy should support the overall business and board strategy with the ultimate goal of driving performance of the organization
Market for Talent	JEA's geographic market for talent varies by job level: • Individual Contributors/Managers – local and regional scope • Directors/Executives – national scope
Target Competitiveness	Targets the market 50th %ile for all pay elements (Base Salary, Short-Term Incentive, and Long-Term Incentive)
Pay Mix	JEA's pay mix currently consists of base salary and a short-term incentive award, but JEA is implementing a long-term incentive plan in 2020 to align the interests of employees to JEA's Guiding Principles and four (4) Corporate Measures of Value (Customer, Community, Environmental and Financial)
Industry Perspectives	For functional roles – a 50/50 weighted mix of Utility/General Industry market data For operational roles – only Utility Industry market data

Evolution of JEA's Compensation Program

Evolution of JEA's Compensation Program

Timeline of Goals and Major Changes

Year of WTW's Review

Competitive Position Improving

2011

- Conducted competitive cash compensation analysis for approximately 200 Appointed positions, as well as a benefits assessment
- While total cash compensation levels were generally below market, benefit programs were generally above market (retirement plan significantly above market)
- JEA re-instituted a short-term incentive plan where all employees were eligible to receive an award (re-instated for FY12)

2013

- Conducted competitive market analysis, which showed JEA remained below market but had an improved competitive positioning

2017

- Updated 2013 analysis, which showed that competitive positioning continued to improve
- Effective beginning FY18, the defined benefit plan was closed to new hires. All new hires will participate in the new defined contribution plan

2019

- Competitive market positioning continues to improve JEA value creation
- JEA Board's objective is to create and implement a short-term and long-term incentive plan where all employees are eligible to receive an award based on individual and organization performance

CEO Competitive Market Pricing

CEO Competitive Market Pricing

Methodology

- To conduct the competitive market pricing for the CEO position, a peer group was developed reflecting:

[redacted]

  - Survey source: Willis Towers Watson's *2018 Energy Services Industry Executive Compensation Database*

- [redacted]

CEO Competitive Market Pricing
Market Pricing Details

Pay Component	Data Perspective	Competitive Market Data[5] 25th %ile	50th %ile	75th %ile
Base ($000s)	Combined Peer Group	[redacted]		
	Investor Owned Utility Peers			
	Public Power Peers			
Target Bonus % [1]	Combined Peer Group			
	Investor Owned Utility Peers			
	Public Power Peers [3]			
Target TCC ($000s)	Combined Peer Group			
	Investor Owned Utility Peers			
	Public Power Peers			
LTI % [2]	Combined Peer Group			
	Investor Owned Utility Peers			
	Public Power Peers			
Target TDC ($000s)	Combined Peer Group [4]			
	Investor Owned Utility Peers			
	Public Power Peers			

"—"= Data not available.

(1) Target bonus percentages are represented as a percentage of base salary.

(2) Long-term incentive (LTI) percentages are represented as a percentage of base salary. LTI figures are based on ASC 718 (FAS 123R) "accounting values". [redacted]

(3) [redacted]

(4) Target TDC for the Combined Peer Group perspective is built up by using Base Salary, Target TCC, and LTI % data.

(5) Market data greater than $100,000 rounded to the nearest $5,000.

Compensation Benchmarking Summary

Compensation Benchmarking Summary
Methodology

- The following page contains a summary of WTW's review of JEA's competitive market data for its Appointed population (including 13 executives)
- WTW reviewed the most current incumbent and market data provided by JEA
  - Market data for the positions below the Director-level reflect a -5% geographic differential to account for the cost of labor of Jacksonville, FL vs. the US national average
  - Analysis of competitive positioning focused on market data at the 50th percentile

Compensation Benchmarking Summary

Appointed Population vs. Market 50th Percentile Variances By Job Level

- The following exhibits summarize variances comparing incumbent pay data with market data from job weighted perspective for the Appointed population only
- Variances are lower to market for executives and directors at target bonus %, target TCC, and target TDC compared to the other job levels

Job Weighted:

Level	Average Base Salary Variance	Average Target Bonus % Absolute Variance	Average Target TCC Variance	Average Long-term Incentive % Absolute Variance	Average Target TDC Variance
Executive	-12%	-33%	-28%	--	-42%
Director	-1%	-10%	-8%	--	-13%
Manager	-2%	-5%	-6%	--	-6%
Individual Contributor	-1%	-2%	-1%	--	-1%
Total	**-2%**	**-7%**	-6%	--	**-7%**

Short-Term Incentive Plan Practices

Short-Term Incentive Plan Practices
Introduction

- JEA re-instated a broad-based short-term incentive plan several years ago, both to address competitive pay levels, as well as to reinforce specific messages related to performance expectations
- The following pages summarize market practices related to short-term incentive plan design
  - As appropriate, JEA may consider these practices as they continue to evolve their incentive plan design
  - Key design features covered include eligibility, target award opportunities, payout ranges, bonus pool funding, performance measures and performance range
- The market practices information has been summarized from survey research, as well as our consulting experiences

Short-Term Incentive Plan Practices
Eligibility

- Eligibility for short-term incentive plans is typically broad for both the Utility and General Industries, with prevalence actually higher in the Utility Industry (particularly at the lower job levels)
- Over 60% of organizations in the industry extend eligibility to the lower exempt and non-exempt roles
  - Lower roles may not have an expressed target opportunity, but they may be part of a "sharing program" based on organizational performance
  - In some cases, overall funding and participation at lower levels may be discretionary

Short-Term Incentive Plan Practices

Target Incentive Award Opportunities

- Target incentive opportunities typically increase with job level, and are relatively similar in both the Utility and General Industries
- Note that we have recommended STI targets as part of our analysis to "close the gap" between market and JEA's desired competitive positioning

Target Incentive Award Opportunities – By Job Level

Role/Career Level	Target STI Opportunities
Senior Directors	[redacted]
Managers	[redacted]
Supervisors	[redacted]
Senior Level Professionals	[redacted]
Entry-Mid Level Professionals	[redacted]
Non-exempt	[redacted]

Source: Willis Towers Watson 2018 General Industry and Energy Services MMPS Compensation Survey Reports – U.S.

Short-Term Incentive Plan Practices

Payout Ranges

- Payout ranges reflect the total award opportunity as a percentage of the target award, and represent the minimum award opportunity if threshold performance is achieved, and the maximum opportunity if maximum performance is achieved
- Payout ranges are typically 50% of target at threshold performance and 200% of target at maximum performance
  - [redacted]
- In most cases (and based on the specific performance standards), organizations will interpolate actual performance between threshold, target and maximum to provide appropriate incentive to improve performance at every possible increment
- Note that it is important to calibrate the payout range with the performance range to ensure that the awards are aligned with the probability of achievement

Short-Term Incentive Plan Practices

Bonus Pool Funding

- There are two primary approaches to determine bonus pool funding:
  1. Sum-of-targets: specific target opportunities are defined (typically by role or grade) and the sum of these targets determines the bonus "pool" (the aggregated award which would be generated at target performance)
  2. Financial results-based formula: typically a financially-driven formula (e.g., bonus pool equals 10% of profits above a specific threshold)
- The sum-of-targets approach is typically the most common in both the Utility and General Industries
  - Prevalence for financial results-based formulas increases slightly for broad-based plans that are separate from executive plans because there is often a greater requirement that they be self-funding
- Particularly for sum-of-target plans, circuit breakers are a common design feature
  - A circuit breaker represents a single performance measure (typically a financial measure) that must be reached before any incentive award is paid regardless of performance in other measures
  - In other words, if the circuit breaker financial performance isn't achieved, it shuts down the entire plan regardless of performance on other performance measures
  - Note that a financial circuit breaker may be set at levels below threshold levels for payout
- Another design feature is a modifier, which can be used to adjust the initial funding up or down based on another important measure (e.g. determine pool based on financial performance, and then modify by operational or customer performance measures)

Short-Term Incentive Plan Practices

Performance Measures

- Performance measures send an important message about what an organization must achieve, and how individual employees can contribute to those objectives
- We consider it a best practice to have a portfolio of performance measures to balance expectations across financial, operational and customer service categories
  - However, in order to ensure appropriate focus, we typically see 4-6 performance measures, with each measure having at least a 10% weight
- It is typical for organizations in both the Utility and General Industries to include at least one profit or income measure, with profit / operating income being the most common in both industries
- For non-financial performance measures, environmental health and safety, as well as operating / strategic measures are the most common in the Utility Industry
- Individual performance measures are also common in the Utility and General Industries
  - These measures help create line-of-sight to broader corporate measures

Short-Term Incentive Plan Practices
Performance Range

- Performance ranges reflect the minimum acceptable performance as a percentage of target performance, and the maximum performance recognized as a percentage of target performance
- Narrow performance ranges are typically used for measures where results are not expected to vary significantly from target (e.g., revenues)
- Wider performance ranges are typically used for measures where performance can fluctuate significantly year to year (e.g., profitability)
- In the Utility Industry, performance ranges for profitability at minimum is typically set to be 90% of target and for maximum is typically set to be 115% of target
- An important consideration in establishing the performance range is the probability of achievement
  - A best practice is to set threshold performance goals where the probability of achievement is 80-90% to ensure appropriate motivation
  - Similarly, probability of achievement for target performance should be 50-60% and 10-20% for maximum performance
  - As noted earlier, it is important to calibrate the performance range with the payout range

Long-Term Incentive Plan Design

Long-Term Incentive Plan Design
Introduction

Why Companies Have Long-Term Incentive Plans	Factor Driving JEA Inclusion of LTI
Focus on long-term performance and align performance to long-term business strategies	✓
Necessary component of a market competitive compensation program for investor owned utilities	✓
Aligns the interests of employees with stakeholders	✓
Fosters long-term retention	✓
Encourages teamwork and collaboration across groups, functions, businesses, etc.	✓
Rewards for long-term shareholder/stakeholder value creation	✓
Balances focus on short-term results that are driven by annual incentives	✓

Long-Term Incentive Plan Design

Market Practices Summary

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Prevalence	LTI plans are used selectively	All 13 IOU peers have an LTI plan	LTI plans are very prevalent with almost all IOUs using an LTI plan
Eligibility	For those Public Power Utilities with an LTI plan, eligibility typically limited to select executives	Typically executives down to director level positions	Typically executives down to director level positions
Target Opportunity (% of Base Salary)	Varies widely based on the organization, but targets will be lower than IOU levels	Median for CEOs: 230% Median for NEOs*: 110% Median for Directors: NA	[redacted]
Award Frequency	Annual awards with overlapping cycles are most common	All 13 peers grant annual awards with overlapping cycles	

NEOs* = Named Executive Officers, as disclosed in the IOU's proxy statement.

Long-Term Incentive Plan Design

Market Practices Summary (continued)

Design Aspect	Public Power Utilities	Investor Owned Utility (IOU) Peer Group	Broader Utility Industry
Award Vehicles	Cash-based performance plans	100% of peers use performance plans 69% use restricted stock No peers use stock options	[redacted]
Performance Metrics	Financial and operational	TSR (100%) EPS (38%) Operational (15%)	[redacted]
Performance Metrics Weights	Operational metrics weighted more heavily than financial metrics	TSR and financial metrics weighted more heavily than operational metrics	Not available
Performance Range	More conservative compared to IOUs	Relative TSR: 28th %ile at threshold, 50th %ile at target, and 90th %ile at maximum	[redacted]
Payout Range	Threshold: 50% of Target Maximum: 150% of Target	Threshold: 0-50% of Target Maximum: 150-200% of Target	[redacted]

Long-Term Incentive Plan Design
Proposed Design

- *Given consideration of the overarching goal to allow all employees the opportunity to share in the long-term success of the company, we propose a multi-pronged LTI design approach below:*

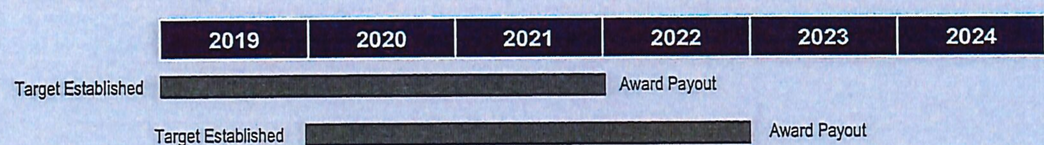
LTI Plan Funding	LTI Award Vehicles	LTI Eligibility	Award Frequency	Performance Measure	Performance Cycle / Vesting
Self Funded based on Contribution to City	Performance Unit*	All Employees	Annual	Customer Rates	3 Years
	Time-Based Unit*	Critical Skilled / Retention Risk	Ad Hoc	Not Applicable	3 Year Cliff

* Value of units tied to JEA Net Book Value.

Long-Term Incentive Plan Design

Proposed Design Details: Performance Unit

Performance Unit

Plan Design Element	Plan Design Details
Award Vehicle	• Performance Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined
Eligibility	• All employees would be eligible in order to drive collective focus on JEA long-term performance
Target Award Opportunity (as % of base salary)	• Award opportunities vary based on level in the organization (see page 31 for proposed targets); Management and Board's intent is to close competitive gap to market for LTI in first year of grant and ensure JEA compensation is competitive with market 50th percentile
Award Frequency	• Annual
Circuit Breaker	• Defined level of contribution to the City will be established for each award cycle; intent is for contribution level to ensure LTI plan is self funded
Performance Measures	• Net Book Value: used to determine Performance Unit value • Customer Rates: performance measure used to modify the number of Performance Units earned; performance goal to be determined
Performance Period	• 3-year performance cycle with overlapping cycles due to annual grant frequency 
Payout Range	• Threshold: 50% of Target • Maximum: 150% of Target
Estimated Cost	• Estimated cost of annual Performance Unit awards to all employees based on current incumbent base salaries* is $3.4M

*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.

Long-Term Incentive Plan Design
Proposed Design Details: Time-Based Unit

Time-Based Unit

Plan Design Element	Plan Design Details
Award Vehicle	• Time-Based Unit: value of unit tied to JEA Net Book Value; unit valuation formula to be determined
Eligibility	• All employees eligible, but awards targeted to **critically skilled employees or employees viewed as retention risk**; awards generally intended for Manager level positions and below in order to enhance employee retention • Target 10% of employees below the Director level (approximately 1,500 including Bargaining Units) or approximately 150 employees below the Director level to receive awards each year
Target Award Opportunity (as % of base salary)	• Retention award values range from 10% to 20% depending on criticality of role and/or retention need
Award Pool Funding	• Defined level of contribution to the City will be established each year with intent for contribution level to ensure LTI plan, covering both Performance Unit and Time-Based Unit awards, is self funded
Award Frequency	• Ad hoc awards
Vesting Period	• 3-year cliff vesting period
Estimated Cost	• Estimated cost of annual Time-Based Unit awards to employees below the Director level based on current incumbent base salaries* is $1.2M

*Bargaining Unit costs calculated based on step structure data if incumbent data are not available.

Proposed Compensation Adjustments

Proposed Compensation Adjustments
Competitive Pay Gaps to Market by Pay Element

- The following exhibit summarizes the current gaps to market for JEA's population (excluding the M&C roles due to lack of incumbent data) by each pay element:
  - JEA's base salary, target TCC, and target TDC show variances comparing incumbent pay to market for the Appointed population
  - Bargaining Units' pay elements and JEA target bonus % are based off of pay structures (many of the Bargaining Units are in step structures)
- Gaps to market exist at target bonus % and long-term incentive %, particularly for the executives and directors, which lead to higher variances to market at target TCC and target TDC

Job Weighted:

Level	Average Base Salary/Midpoint Variance (Median)	Average Target Bonus %		Proposed Target TCC Variance (Median)	Average Long-term Incentive %		Proposed Target TDC Variance (Median)
	JEA	JEA	Market	JEA	JEA	Market	JEA
Executive	-12%	10%	[redacted]	-28%	--	[redacted]	-42%
Director	-1%	8%	[redacted]	-8%	--	[redacted]	-13%
Manager	-2%	7%	[redacted]	-6%	--	[redacted]	-6%
Individual Contributor	-1%	7%	[redacted]	-1%	--	[redacted]	-1%
Bargaining Units	11%	2%	[redacted]	8%	--	[redacted]	8%
Total	**3%**	**5%**	[redacted]	**-1%**	--	[redacted]	**-2%**

Note: Market data provided by JEA.

Proposed Compensation Adjustments

Proposed Base Salary, Target Bonus and Long-Term Incentive Adjustments

- **Base Salary**: assess individual competitive position to market; for individual positions well below market, JEA could bring positions to within the competitive range of the market median within two to three years, assuming performance expectations are being met
- **Target Bonus % and LTI % (as % of salary)**: the tables below summarize JEA's current average target bonus and LTI incentive opportunities and proposed target values
  - The incentive targets below are intended to close the gap to market for target total direct compensation within the first year in order to align with the Board's compensation philosophy
  - **Note**: when material gaps to market exist, typical market practice is to make incremental adjustments over a multi-year period (2 to 3 years) to close the gap to market. Company performance, cost considerations and stakeholder optics will influence the level of pay adjustment and the timeframe over which pay is brought to market

	Target Bonus %			LTI Opportunity %			Total At Risk Compensation		
Level	Current	Market	Proposed	Current	Market	Proposed	Current	Market	Proposed
Executive	10%	[redacted]	45%	--	[redacted]	40%	10%	[redacted]	85%
Director	8%		20%	--		5%	8%		25%
Manager	7%		10%	--		3%	7%		13%
Individual Contributor	6%		7%	--		3%	6%		10%
Bargaining Units	2%		2%	--		1%	2%		3%

- **Estimated Cost Impact:** estimated incremental cost impact of proposed target bonus and LTI adjustments to bring JEA compensation to the market median is **$5.8M**; see details below for cost breakdown:
  - Target Bonus Cost: **$2.4M** based off current incumbent base salaries
  - LTI Cost: **$3.4M** based off current incumbent base salaries for performance unit award (total cost of **$4.6M** if time-based unit award is included)

Note: Market data provided by JEA.

Proposed Compensation Adjustments

Market Positioning Based on Proposed Pay Adjustments

- The following exhibit summarizes the competitive position of JEA pay based on the target bonus % and LTI % adjustments needed to align pay with market median
  - All levels approximate or exceed the market median for target TDC, thereby aligning with the Board's articulated competitive compensation positioning
    - Proposed target bonus % and LTI % for executives bring target TDC to market competitive levels; therefore, material base salary adjustments are not required
    - Bargaining Unit variance exceeds market median target TDC due primarily to variances that are calculated based off of step structure base salaries

Job Weighted:

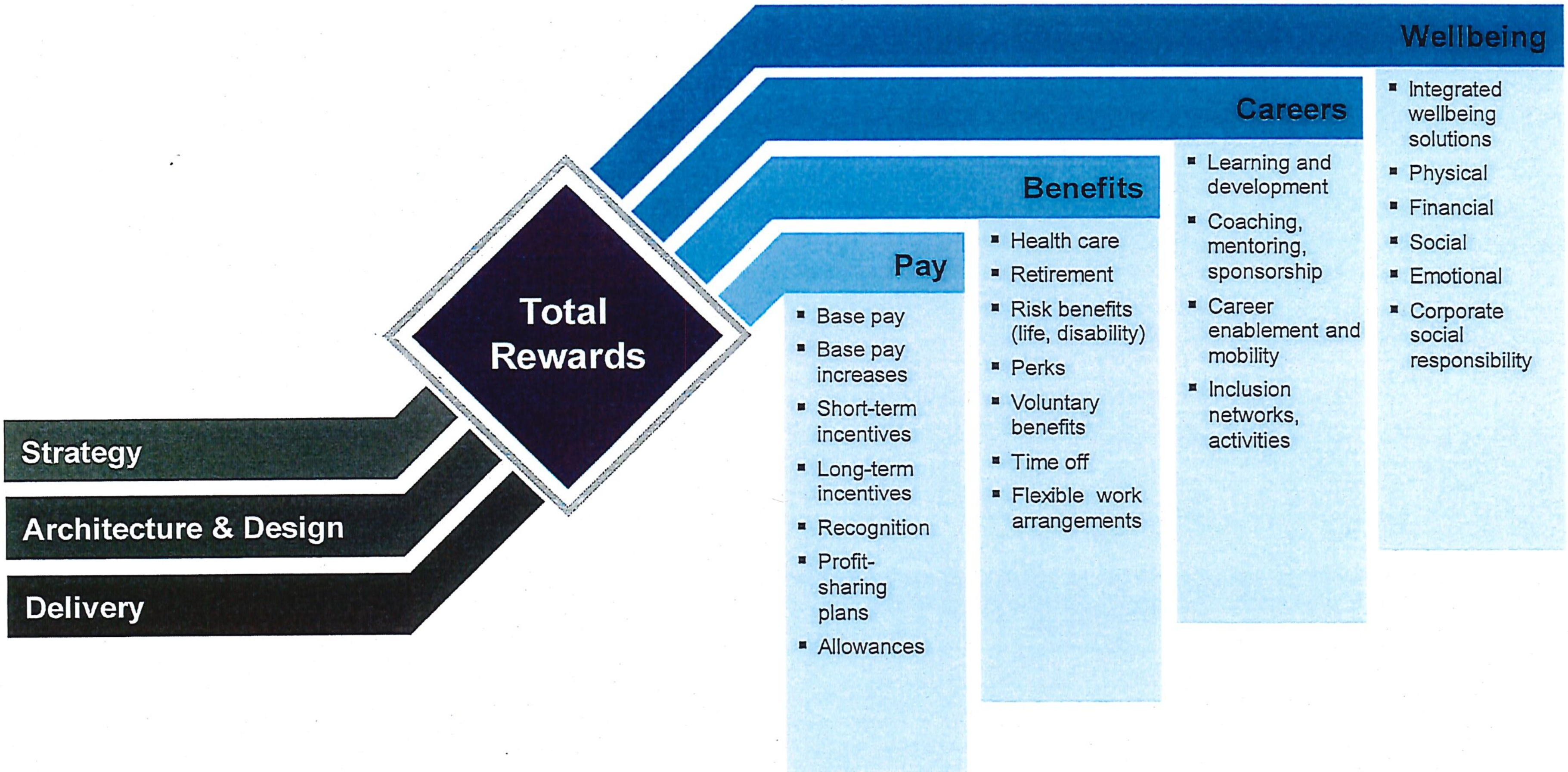
Level	Average Base Salary/Midpoint Variance (Median)	Average Target Bonus %		Proposed Target TCC Variance (Median)	Average Long-term Incentive %		Proposed Target TDC Variance (Median)
	JEA	JEA Proposed	Market	JEA	JEA Proposed	Market	JEA
Executive	-12%	45%	[redacted]	-6%	40%	[redacted]	-2%
Director	-1%	20%	[redacted]	2%	5%	[redacted]	1%
Manager	-2%	10%	[redacted]	-3%	3%	[redacted]	-1%
Individual Contributor	-1%	7%	[redacted]	-1%	3%	[redacted]	2%
Bargaining Units	11%	2%	[redacted]	8%	1%	[redacted]	9%
Total	**3%**	**8%**	[redacted]	**2%**	**3%**	[redacted]	**3%**

Note: Market data provided by JEA.

Modernizing Total Rewards

Modernizing Total Rewards

Integrated Total Rewards strategy, architecture & design and delivery for a superior Talent Value Proposition



Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

Modernizing Total Rewards

Key themes emerging in the market with implications for Total Rewards

1. Future focused
Emerging work dynamics and skills and multi-generational workforce re-write the deal

2. Technology Advancements
Expansion of *digitization* of the Total Rewards delivery and experience

3. Optimising cost and risk of TR
Analytics and data measurement

4. Segmentation
More tailored Total Rewards with increased choice

5. Consumerism and flexibility
Expansion of worker choice and *voluntary benefits*

6. Transparency
Legislative and social media increase public scrutiny

7. Inclusion and diversity
Total rewards that enable an inclusive culture and diverse workforce

8. Wellbeing
Holistic *physical, financial, social and emotional health*

9. Talent experience
Emphasis on *workplace differentials* that enhance the environment and Talent Value Proposition

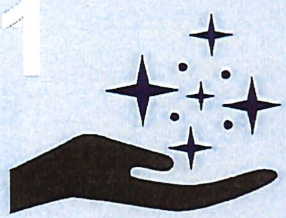
10. Good governance
Being *agile and nimble* to adapt to changing, fast-moving business strategies

Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

Modernizing Total Rewards

Our findings identify five areas critical to meeting employees' Total Rewards expectations and delivering a consumer-grade experience

1

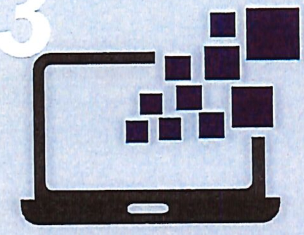


Understand what employees value

2

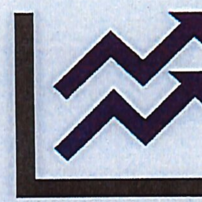
Consider employee wellbeing a top priority

3



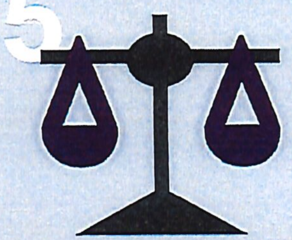
Make effective use of technology

4



Measure cost and impact of programs

5



Prioritize fairness, purpose-driven benefits, and I&D

Source: 2018 Willis Towers Watson Modernizing Total Rewards Survey

Appendix

Appendix

CEO Competitive Market Pricing Utility Peer Group

[redacted]

JEA	Public Power	$1,790	3,330	Diversified	X	X	X
Percentile Rank		60%	45%				

[redacted]

Appendix
Incentive Plan Review Methodology

- The competitive market review of short and long-term incentive plan design practices covered the following:
  - Utility and General Industry market best practices were considered
  - Peer group reflecting a mix of Public Power Utilities and comparably-sized IOUs was developed for the LTI plan design review
- Sources:
  - WTW's *2018 General Industry and Energy Services Executive Compensation Survey Report*
  - WTW's *2018 General Industry and Energy Services MMPS Compensation Survey Report*
  - WTW's *2018 Long-Term Incentives Policies and Practices Survey Report – General and Utility Industries data cuts*
  - WTW's *2018 Global Executive Incentive Design Survey*
  - Consulting experience with broad-based and executive compensation practices in both the Utility and General Industries

Appendix
LTI Plan Design Review Utility Peer Group

IOUs (13 Companies)

- ALLETE
- Alliant Energy
- Avista
- Black Hills
- El Paso Electric
- Hawaiian Electric Industries
- NorthWestern Energy
- OGE Energy
- Otter Tail
- Pinnacle West Capital
- PNM Resources
- Portland General Electric
- Vectren

Public Power Utilities

- *Six public power utility clients*
- *Anecdotal consulting experience*

From: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Sent: Thursday, October 17, 2019 8:09 AM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Subject: FW: ADP to JEA Executive Sponsor Intro

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Jon,

Can we talk this morning? I can push any call before 10am with exception of my 8:30am - 9am (its for JEA).

From: Eads, Shawn W. - VP & Chief Information Officer [mailto:eadssw@jea.com]
Sent: Thursday, October 17, 2019 8:05 AM
To: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Cc: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>; Dejesus, Guarionex (ES) <Guarionex.Dejesus@adp.com>; Prater, Cecilia (ES) <Cecilia.Prater@adp.com>; Bullock, Robin (ES) <Robin.Bullock@ADP.com>
Subject: RE: ADP to JEA Executive Sponsor Intro

WARNING: Do not click links or open attachments unless you recognize the source of the email and know the contents are safe.

We will talk at 10:30. My expectation is Jon and I will get more out of this meeting than we have the last handful. Our teams heard again this week on a call that this is a very busy time for ADP... It is for JEA too and if ADP cannot deliver, then let's make that call now. It doesn't instill a lot of confidence in a very tough aggressive project when our partner is setting up the discussions saying they are very busy. I am being direct because Jon and I are on the hook with our President and CEO. They have asked us daily about this and our confidence in success. I look forward to the discussion.

Shawn

From: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Sent: Thursday, October 17, 2019 7:51 AM
To: Eads, Shawn W. - VP & Chief Information Officer <eadssw@jea.com>
Cc: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>; Dejesus, Guarionex (ES) <Guarionex.Dejesus@adp.com>; Prater, Cecilia (ES) <Cecilia.Prater@adp.com>; Bullock, Robin (ES) <Robin.Bullock@ADP.com>
Subject: Re: ADP to JEA Executive Sponsor Intro

EXHIBIT
PENGAD 800-631-6989
31
Kendrick 6/29/20

Allison Abbott

From: Motsett, Brian (ES) <Brian.Motsett@ADP.com>
Sent: Thursday, October 17, 2019 8:09 AM
To: Kendrick, Jonathan A. - VP & Chief Human Resources Officer
Subject: FW: ADP to JEA Executive Sponsor Intro

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Cc: Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>; Dejesus, Guarionex (ES) <Guarionex.Dejesus@adp.com>; Prater, Cecilia (ES) <Cecilia.Prater@adp.com>; Bullock, Robin (ES) <Robin.Bullock@ADP.com>
Subject: Re: ADP to JEA Executive Sponsor Intro

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

Shawn,

Can you talk now?

Expectation set for this calls was always high level intro purposes and to get next steps into immediate action. We just met with Guari and a few key members last night so if we can discuss what you mean by detail rich that may help ensure we all have fair expectations

Meeting Agenda:

- Introductions
- Roles & Responsibilities
- Project Scope
- Status Updates
- Schedule Project Kickoff Meeting

Best,

Brian
904-710-8488

Sent from my iPhone - please excuse brevity, errors and omissions

> On Oct 17, 2019, at 7:21 AM, Eads, Shawn W. - VP & Chief Information Officer <eadssw@jea.com> wrote:
>
> WARNING: Do not click links or open attachments unless you recognize the source of the email an know the contents are safe.
>
> ---
>
> OK, but I want this call to be action based and detail rich.
>
> Shawn
>
> **From:** Motsett, Brian (ES) <Brian.Motsett@ADP.com>
> **Sent:** Thursday, October 17, 2019 7:15 AM
> **To:** Eads, Shawn W. - VP & Chief Information Officer <eadssw@jea.com>
> **Cc:** Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>; Dejesus, Guarionex (ES) <Guarionex.Dejesus@adp.com>; Prater, Cecilia (ES) <Cecilia.Prater@adp.com>; Bullock, Robin (ES) <Robin.Bullock@ADP.com>
> **Subject:** Re: ADP to JEA Executive Sponsor Intro

[External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]

For the call at 10:30 it should be primary executive sponsor(s). The wider call with both teams will follow.

Brian
904-710-8488

Sent from my iPhone - please excuse brevity, errors and omissions

> On Oct 17, 2019, at 6:20 AM, Eads, Shawn W. - VP & Chief Information Officer <eadssw@jea.com> wrote:
>
> WARNING: Do not click links or open attachments unless you recognize the source of the e
> know the contents are safe.
>
> ---
>
> Should Jon and my leads join this call too? Robb and Sharon? They will be driving this aggressive project, so should they be on even these executive calls?
>
> Shawn
>
> **From:** Motsett, Brian (ES) <Brian.Motsett@ADP.com>
> **Sent:** Wednesday, October 16, 2019 5:42 PM
> **To:** Kendrick, Jonathan A. - VP & Chief Human Resources Officer <kendja@jea.com>; Dejesus, Guarionex (ES) <Guarionex.Dejesus@adp.com>; Eads, Shawn W. - VP & Chief Information Officer <eadssw@jea.com>
> **Cc:** Prater, Cecilia (ES) <Cecilia.Prater@adp.com>; Bullock, Robin (ES) <Robin.Bullock@ADP.com>
> **Subject:** ADP to JEA Executive Sponsor Intro
>
> [External Email - Exercise caution. DO NOT open attachments or click links from unknown senders or unexpected email.]
>
> Jon and Shawn,
>
> Good evening!

Quick update... We just had our turnover call with some key members of your ADP implementation team.

We'll have some more details by the morning for tomorrows call agenda but this will be mostly high level for introductory purposes and may only take 15 - 20 minutes.

On the call tomorrow will be Guari (pronounced Guadi) who is your ADP PM, myself and Cecilia. Normally, Robin Bullock (who is your RM - Relationship Manager) would join as well but due to conflicting schedules and in the interest to keeping this moving swiftly we wanted to keep the first available time on your end.

Looking forward to speaking tomorrow.

Best,

Brian

ADP to JEA Executive Sponsor Intro
Scheduled: Thursday, Oct 17, 2019 from 10:30 AM to 11:00 AM
Location: 1-800-377-0237,,,4707006#
Invitees: Prater, Cecilia (ES), Bullock, Robin (ES), 'Kendrick, Jonathan A. - VP & Chief Human Resources Officer', Dejesus, Guarionex (ES), Lau, Alexandra (ES), Eads, Shawn W. - VP & Chief Information Officer

Brian
904-710-8488

Sent from my iPhone - please excuse brevity, errors and omissions

---

released in response to a public-records request, do not send electronic mail to this entity. Instead, contact JEA by phone or in writing.

This message and any attachments are intended only for the use of the addressee and may contain information that is privileged and confidential. If the reader of the message is not the intended recipient or an authorized representative of the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, notify the sender immediately by return email and delete the message and any attachments from your system.

Florida has a very broad Public Records Law. Virtually all written communications to or from State and Local Officials and employees are public records available to the public and media upon request. Any email sent to or from JEA's system may be considered a public record and subject to disclosure under Florida's Public Records Laws. Any information deemed confidential and exempt from Florida's Public Records Laws should be clearly marked. Under Florida law, e-mail addresses are public records. If you do not want your e-mail address released in response to a public-records request, do not send electronic mail to this entity. Instead, contact JEA by phone or in writing.

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6/24 - mtg 3-4
X LM Jim ~~Linn~~
GLENN THOMAS 2
gthomas@llw-law.com
No EMAILS

~~Segal Cons - entire data file to COJ ee's~~

~~10/1/18 Valuation → Census~~

OPEB → it will be overstated

6/26 ~~[illegible]~~ Meeting 2:00PM
7/1 10:30 ?

Talk to Glen re Coll. Bargaining
↳ Jason Gabriel c 226-8191
Script - what + to whom
Order of meetings

EXHIBIT 32
Kendrick 6/29/20

6/27 - Mtg w/ Kevin Hyde
- call w/ Rizzo - how city will respond
concerned w/ OGC + contract atty
Free to speak re considerations?
Ex: Measuring value of benefit in procurement proposal
However, plan is not fully funded w/
assets to cover inactives
Segal If JEA walks - ante up for some of the
unfunded liability. When you're gone we don't
have a way to cover - Pay forever or ante up
all at once.

6/17

-JU MPP + Exec MPP

-Gym

~~-# Savings~~

Jim Lynn

M 850-443-0086

O 850-222-5702

Jim Rizzo GRS

954-699-4750

- Scope after NDA - 7/1
- Legislation

~~Sherry Hall - 160K~~

~~(234)~~

~~Safety equip~~

~~Julio -> Aaron~~

HR Hiring

Use financial rpt

w/ HR Team

Kevin

6/20

Melissa

Accelerated timeline - NDA must get done today.

Draft Legis by 7/8 -> timeline

7/16 - everything final

Retention letters -> must they be collectively barg

YES   Wage + hour -> economics

Lynn   Glenn Thomas - 4 yrs ago - familiar w/ JDA

6/21 Before 3-4

JEA Notes

Melissa – 4/18/19
My Questions
1) Challenges
   - Labor Negotiations
   - RIF
   - Restructuring
   - Compensation
   - New Revenue Streams
   - Sale or Co-op or ?
   - New Building
2) Climate/Culture – I can do the job, but ....
3) Aaron Zahn – report to you
4) Leadership team and recent changes

Melissa
Priorities
- Strategic Planning
   a. They measured cultural health/business health with McKinsey (2/19) w/ 90% participation rate. 37 practices. Be customer-centric (needs-based) & use competitive insights. Focus on 7 practices that include innovation, accountability and knowledge sharing
   b. If no rules change and the charter stands – to the board in May
   c. It will involve HR: headcount, civil service rules, contract, types of talent needed.
- Collective Bargaining – kicked off and discussing except comp
- Compensation Strategy – Board said move forward with market compensation. She's not optimistic on the ability to offer Long-term incentives.

Angie – 4/23/2019
1) Staff won't have an attitude because they know me, but didn't like the way Melissa handled the announcement within 24 hours of interviews for Interim – "Did she have someone in mind?" Pat is very upset. Trust issues.
2) Status Quo
   a. What is the landscape for JEA?
   b. What can JEA do to remain sustainable?
   c. Charter change for new business or RIF, which may need to happen anyway.
   d. Senior leaders have talked to directors re lean operations so the secret is out. Perception may be that I'm coming in to lay off people.
   e. Meet with her and Julio re Status Quo 2 – WCS - never happened.
   f. Robb Mack is putting numbers together
   g. Civil service playbook for layoffs – different from bump and bid. Mary Anne can walk me through it.
3) Succession planning needed. Isabel Graff on staff to pull info and dust off succession planning. Revamp talent review form.
4) BU negotiations.

EXHIBIT
33
Kendrick 6/29/20
PENGAD 800-631-6989

   a. CHRO is not supposed to be in; I can drop in. AH was requested at times when the pension crisis was occurring. She recommends I do not attend. Continue bi-weekly L/R meetings.

5) Director of Safety interviews may wrap up next week. John McCarthy and Karen Anders are interviewing. Sending top candidates to PSI. Paul Thomas is needy.
6) Report to Melissa, but it backfires. All directions comes from Adam; Melissa typically ~~ahs~~ has no clue what AH is doing. AH recommends that CHRO reports to CAO.
7) Cost savings in HR of 10%. Lean on O&M this year, anyway – no conferences or training.
   a. Pat says there are no savings in benefits, AH says yes. There are 3 people and a manager (because of retirees). AH – keep manager and one specialist
   b. Termed a recruiter – Donte
   c. Not filling two positions in Robb and Blake's areas
   d. L/R is top=heavy with Eileen's promo. Cut one Specialist – Tawanna is in Eileen's old role
   e. Eight Direct Reports
      i. Mary Anne – Labor Relations Director
      ii. Robb Mack – OD – backbone and prayer partner
      iii. Blake – L&D
      iv. Pat – Employee Services
      v. Maria S, Carol H, and Paul McFadden = HRBP's
      vi. Paul Thomas – Safety
8) Long-term incentive plan. Towers Watson tried to discourage them as most public utilities don't have them. Florida statues require everyone to be included. Herschel says JEA really shouldn't offer a short-term incentive. Ryan Wannamaker has numbers.
9) First week meet with team members and find out what they are working on.

It will be rough sledding – it's 24/7

Someone will have documents I need.

Orgs I should be a part of?

Discussion Plan - Julio

Aaron

- Cut to the chase. Let Julio know he's being let go because he has failed to meet the clearly defined obligations you laid out for him when he came onboard. Have the document ready to provide examples of how he has failed to meet expectations.
- If he asks if we will hire a replacement tell him that, as he knows, we are in the midst of strategic planning and awaiting a formal direction from the board.
- Stress that we want to provide the best options we can for him under the circumstances and that Jon will provide the details.

You can step out at this point, if you'd like, and I'll handle the mechanics of the transition. This also gives Julio an opportunity to vent.

Jon

- Provide the agreement and briefly describe what's offered.
- Stress that we will cover the balance of his apartment lease and will not require repayment of the advance.
- Assure him that we'll take care of any outstanding expense reports, etc.
- Tell him we will carefully pack up his office and deliver everything to him.
- Answer any immediate questions he has and give him my number and stress that I am the POC for any questions or concerns he'll have.
- Collect his badge, desk keys, etc.

I don't know if you feel that Julio is a security risk, but I would prefer not to have Security escort him out. I can accompany him to the basement.

CAUSE
GOOD REASON

Cause
No written notice
- Gross negligence / neglect
- Willful misconduct
- Misconduct under Fla Statutes
443.036(29)

Good Reason - Employee
- material breach
w/in 30 days after event
JEA has 30 days to respond

Exhibit B w/o cause
12 mos consulting w/o cause

~~Ex A - release agreement~~

Negotiate:
- Ex B provisions 12 mos not likely
- 20 wks & COBRA
- Some period of Admin Pay

EXHIBIT
35
Kendrick 6/29/20
PENGAD 800-631-6989

Revenue Fluctuates?
All items TCS recent Revs

520,395,20

Main TCS for Area

Building Community

INTER-OFFICE CORRESPONDENCE
October 3, 2019

SUBJECT: Appointment of the Evaluation Committee for JEA ITN 127-19 Strategic Alternative

FROM: Jenny McCollum, Chief Procurement Officer

TO: Shawn Eads, VP & Chief Information Officer
Jon Kendrick, VP & Chief Human Resources Officer
Joe Orfano, Treasurer
Juli Crawford, Director Financial Planning & Analysis
Jordan Pope, Dir Economic Development and Real Estate

CC: John McCarthy, VP & Chief Supply Chain Officer; Lynne Rhode, Chief Legal Officer

---

As a Procurement Designee for JEA ITN 127-19 Strategic Alternatives, I hereby appoint the following members to serve on the Evaluation Committee for the above referenced solicitation.

- Shawn Eads, VP & Chief Information Officer
- Jon Kendrick, VP & Chief Human Resources Officer
- Joe Orfano, Treasurer
- Juli Crawford, Director Financial Planning & Analysis
- Jordan Pope, Dir Economic Development and Real Estate

Jenny McCollum
Chief Procurement Officer

10/3/19
Date

EXHIBIT
36 C
Kendrick 6/29/20
PENGAD 800-631-6989

HR Team

- Pat Mailis - Comp/Ben
- Robb Mack - ~~Analytics~~ OrgEff
- Blake Osler - Trng
- Open Safety
- Mary Ames Labor Rels
- 3 HRBPs: Carol, Maria, ~~New~~ Paul
- Sunny LE - Recruiting

Charna Fleming ~~Denise~~

Walestie Stanford Victoria

Tom Wigand Shea

Andy Bemis

Gideon Hill

EXHIBIT

PENGAD 800-631-6989

37

Kendrick 6/29/20

Not IAA I did

Timing
- Daughter have any insurance
- Aaron a chance - not okay

Caution
- Don't expect to work a # of years
- Toxic environment
  - Political

Sister to Brother

  - Aaron not a nice person (psychopath) - liar
  - Papers are true
- 16th Floor is miserable

McElroy - not his idea
Aaron w/ Mayor - plot
W/e -> contacted Bd members
April Green, lied ab into Melissa
All working of search firm 80K
Aaron - why looking for search firm
Lashed for addendum to service re interim transition - not from board. Knew a search firm "Russell Reynolds" - Henry

indi "trans sec" John McCarthy
thought it was odd. Howard
He accused him of ~~going to~~ accus.
Debra got better
But tried to keep search
cent of press
Bd was interested in candidate
but ~~turned the~~ were told to
drop out.
Intvis - 3 people in room
Obs + Bd member, Aggie, Judith
Heidrick (Chrissy Zollen people)
Aggie had top candidate
"Not comf w/ that" - Bd member
went to chair of search com.
Aaron - not asked anything
Turn into a co-op.
Big RIF
Latrice Bradley EA + Minister
Evil Don't pray for me.
HR Staff someone volunteer for listening

AUG 15 4/15

- why now?
- What have you told Melissa?
- Is ~~that~~ Interim a done deal if I want it?
- How is she to work for?
- Challenges:
  - Contract negotiations
  - Move
  - Probable restructuring
  - Comp
- Team - who is good; who may leave?
- Process for permanent?
- My scores

Bad press
Ugly
Waking one ready
4 AM + weekends
Retirement Start

My scores – in Field
Roll Scores up Technical
Not recommended

Teach Humanities at Trinity

MEMO

4/18 MELISSA DYKES

- Interim or Permanent? 6-9 mos
- Challenges
  - Negotiations — Co-op
  - RIF — Sale
  - Restructuring — Bldg
  - Compensation
  - Revenue Streams

McKinsey 2/19
90% 39 practices
Be customer-centric
needs
competi-
insights

- Climate / Culture (I can do the job, but...)
- Aaron Zahn, although work for you
- Other leadership team - recent changes

PRIORITIES (in flight)

- Strat Planning
  measured cultural health
  biz health
- if no rules changed
  Board → Mgmt
  HR - headcount, discuss rules, contracts, types of talent
- Collective Barg
  Talked all except Comp
- Comp Strategy - Bd sd move fwd w/ mkt comp
  not optimistic on LT efforts

MEMO

Mck cont'd
Customer-centric vs continuous jump
Shell Energy - largest elec prov glob 2030
Pivoting is key
? Practice - innovation top & bottom
(1) Accountability
(2) Knowledge sharing