

Spoke with Philbert Edwards (father- in sixties) and Neil Edwards (son- in thirties). They were both on property when we got there. There was no real hesitation in speaking with us. We had a rapport going explaining we were just trying to get the story behind how the crusher came to them. They knew Daphne's father and there was no real sense of discomfort in talking to us. We left after about 40 minutes on 'nice' terms, taking a business card in case we need to rent equipment in the future.

Who: Manuel had gone to Neil Edwards about the rock crusher and Neil went to his father Philbert who said go ahead and take a chance on it. Later on when the crusher started to malfunction Philbert did say he told Manuel he had bought a 'cat in bag'. Neil told us when asked that he did not deal with anyone else but Manuel.

How much: \$5,000. Mr. Edwards was adamant that this is what they paid. We pressed on the \$30,000 price and he said this was not true. The method of payment went like this: Mr. Edwards was owed money from Mr. Thompson (a contractor) for equipment rental and he had not been paying him. So when the deal was presented to him by his son. He told Mr. Thompson to write the check for \$5,000 to Manuel. In the local economy this type of barter happens. When we pursued addition cash beyond the check Mr. Edwards said there was no cash involved in the transaction he paid by check. He is going to follow up with Mr. Thompson to get a copy of the canceled check. It sounded like Mr. Edwards had already called Thompson about getting a copy of the check. We left Daphne's cell for him to call as soon as he gets it. Neil was the negotiator/contact with Manuel, although it seems Philbert Edwards knows Manuel as well. Neil said there was no price set by Manuel, he took a look at the equipment and told him he would give him \$ 5,000. Both Edwards said there was no discussion with Manuel of \$30,000 or any other price. There was no bill of sale done on this transaction.

Condition of equipment: The rock crusher was attached to an excavator and Neil turned it on to demonstrate to us how it works and the issues with it. They showed us where they welded the bucket. The Crusher was cracked in the center when they received it. Shortly thereafter the bottom of the bucket fell out, so they welded slats of metal to the bottom to repair the bucket. Neil had taken pictures of the rock crusher when he saw it initially, but the pictures are on his old phone so he was not able to share with us. They have repaired the equipment themselves. The hydraulics on the 'plate' were working but something was still broken and they need to do further repairs. Neil moved the rock crusher to show us how it is supposed to work, but said that in the present condition it would not crush any rocks. In their opinion the crusher showed much wear and tear and was as a result of its use on the rocks found on LSJ and was now only good for use on concrete crushing. They need to do work with the hydraulics now and this is where the term 'cat in bag' came in. We had asked them if they had seen evidence of any repairs to the equipment and they said no. We told them we were told that there were extensive repairs done by a welder. Neil said he had heard that Manuel was going to or had gotten a guy from Puerto Rico to do some welding but they took possession of the equipment in pieces and they had to do all the repairs.

Where: Neil looked at the equipment at Manuel's place and Manuel had a flatbed deliver it to them.

When: They could not recall off hand the date but told us when we got a copy of the canceled check we will see when it happened.

Conclusion: Any personal gain on resale of equipment bought from the Company by an employee is not okay. This is a clear **conflict of interest** and against Company Policy. If LSJ could have sold the equipment to Rendco for \$5,000 then LSJ should have sold the equipment. Per the Edwards they had to do all the repair work so basically the equipment was bought from Manuel 'as is' from the condition it was in at LSJ. If the equipment was repairable as the Edwards have done, this alternative should have been presented to JE prior to sale to Manuel. LSJ has an engineering department with 8 employees, including welders that clearly had the capability of making any of the repairs made by the Edwards at no additional cost to LSJ. Manuel bought the equipment for \$1,000 and sold it for a 400% gain. It was Manuel's responsibility as head mechanic to give an honest assessment of the selling price and Arran's responsibility as his supervisor to assess this decision based on his knowledge. In reselling the equipment for a personal gain Manuel was taking revenue away from the Company and Arran's supervision in the engineering department has resulted in a loss of revenue on resale of company assets. If Manuel found a buyer after the fact he should have disclosed this information. The employees on the Island need to be made aware by their supervisor that if equipment is given to them as abandoned then they **cannot** resell this equipment for personal gain in the near future. This presents a weakness in internal controls in the engineering department - in the inability to assess real value of equipment and maintain its condition. All sale and donation of equipment to an employee, as a related party, should be preapproved by JE in writing.