TOBOLAR COPRA PROCESSING PLANT, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

Deloitte.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tobolar Copra Processing Plant, Inc.:

We have audited the accompanying statements of net assets of Tobolar Copra Processing Plant, Inc. (TCPPI), a component unit of the Republic of the Marshall Islands, as of September 30, 2006 and 2005, and the related statements of revenues, expenses and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of TCPPI. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of TCPPI's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of TCPPI as of September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information is the responsibility of the management of TCPPI. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of such supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2007, on our consideration of TCPPI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

May 14, 2007

TOBOLAR COPRA PROCESSING PLANT, INC.

Management's Discussion and Analysis
Year Ended September 30, 2006

This section of the Tobolar Copra Processing Plant, Inc. (TCPPI) annual financial report presents our discussion and analysis of TCPPI's financial performance during the fiscal year that ended on September 30, 2006. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

TCPPI's net assets decreased by $127,776 or 10.8% from $1,178,359 in 2005 to $1,050,583 in 2006. The decrease in net assets is due to a decrease in accounts receivable of $1,110,355 or 86.3% from $1,286,460 in 2005 to $176,105 in 2006. The decrease in the accounts receivable was offset by an increase in inventory of $1,094,453 or 517.6% from $211,448 in 2005 to $1,305,901 in 2006. In addition, there was an increase in non-inventory and non-receivable assets of $52,393, a decrease in capital assets of $58,056 and an increase in liabilities of $106,211.

Operating revenues of TCPPI decreased by $2,434,059 or 83.6% from $2,909,976 in 2005 to $475,917 in 2006. Within operating revenues, sales of coconut oil decreased by $2,338,258 or 88.9% from $2,631,225 in 2005 to $292,967 in 2006. There was a decrease in non-coconut oil revenues of $95,800 in 2006. The decrease in coconut oil sales was due the non-availability of shipping for coconut oil shipments of 3,000 metric tons or less. A coconut oil sale of 3,200 metric tons with a value of $2,167,807 was made on April 18, 2007.

Expenses decreased by $2,628,686 or 63.6% from $4,132,379 in 2005 to $1,503,693 in 2006. Within operating expenses, the cost of copra products manufactured and sold decreased by $2,682,421 or 70.3% from $3,817,723 in 2005 to $1,135,302 in 2006. The decrease in operating expenses is due primarily to the cumulative impact of inventory adjustments in 2006 and 2005 to reflect the valuing of inventory at the lower of cost or market (net realizable value), and the resulting adjustments to cost of goods sold.

Operating subsidies from the Republic of the Marshall Islands (RepMar) increased by $55,400 or 6.6% from $844,600 in 2005 to $900,000 in 2006.

FINANCIAL ANALYSIS OF TCPPI

The Statement of Net Assets (page 6) and the Statement of Revenues, Expenses and Changes in Net Assets (page 7) provide an indication of TCPPI's financial condition. TCPPI's net assets reflect the difference between assets and liabilities. An increase in net assets over time typically indicates an improvement in financial condition.

A summary of TCPPI's Statement of Net Assets is presented below:

	2006	2005	2004
Current and other assets	$ 1,589,495	$ 1,553,004	$ 2,045,891
Capital assets	906,287	964,343	1,007,717
Total assets	$ 2,495,782	$ 2,517,347	$ 3,053,608
Current liabilities	$ 1,445,199	$ 1,338,988	$ 1,497,446
Net assets:			
Invested in capital assets	906,287	964,343	1,007,717
Unrestricted	144,296	214,016	548,445
Total net assets	1,050,583	1,178.359	1,556,162
	$ 2,495,782	$ 2,517,347	$ 3,053,608

As indicated above, total assets decreased by $21,565 or 0.9 % from $2,517,347 in 2005 to $2,495,782 in 2006. This is comprised of an increase of $36,491 in current and other assets and a decrease of $58,056 in capital assets. The increase in current and other assets of $36,491 reflects a decrease in accounts receivable of $1,110,355. The decrease in the accounts receivable was partially offset by an increase in inventory of $1,094,453. Other non-inventory and non-receivable current assets had a net increase of $52,393. The accounts receivable decrease was due to the collection of the accounts receivable pertaining to the September 2005 sale of coconut oil. The increase in coconut oil inventory was due to the non-availability of shipping for coconut oil shipments of 3,000 metric tons or less. A coconut oil sale in the amount of 3,200 metric tons with a value of $2,167,807 was made on April 18, 2007. The net decrease of $58,056 in capital assets reflects depreciation expense of $98,692 less capital acquisitions of $40,636.

Total liabilities reflect an increase of $106,211 or 7.9% from $1,338,988 in 2005 to $1,445,199 in 2006. The increase in total liabilities resulted from an increase in payables to affiliates of $193,808, which was offset by a decrease in other payables and accrued expenses of $87,597.

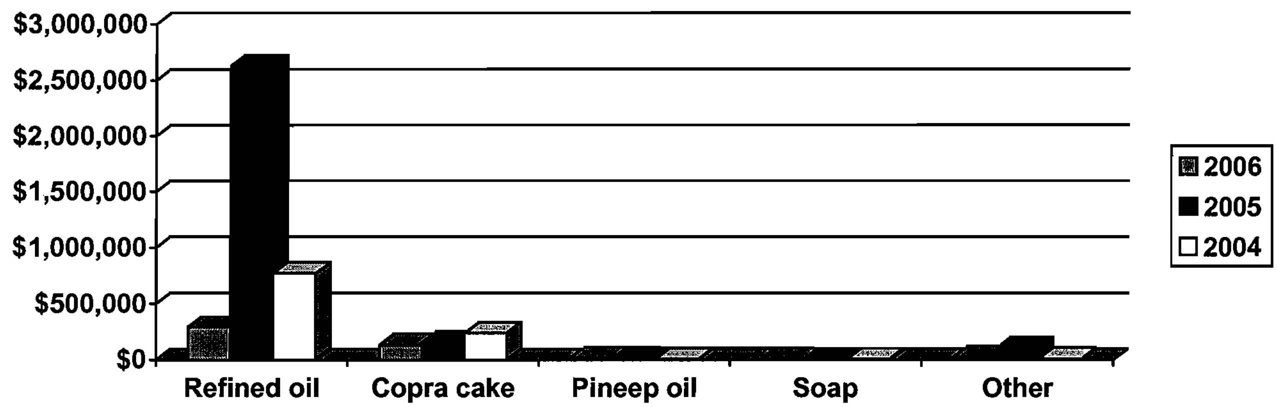
A summary of TCPPI's Statement of Revenues, Expenses and Changes in Net Assets is presented below:

	2006	2005	2004
Revenues:			
Operating revenues	$ 475,917	$ 2,909,976	$ 1,036,776
Non-operating revenues	900,000	844,600	900,000
Total revenues	1,375,917	3,754,576	1,936,776
Expenses:			
Operating expenses	1,456,825	4,094,570	1,333,140
Non-operating expenses	46,868	37,809	77,251
Total expenses	1,503,693	4,132,379	1,410,391
Change in net assets	$ (127,776)	$ (377,803)	$ 526,385

The Statement of Revenues, Expenses and Changes in Net Assets identifies the various revenue and expense items that impact the change in net assets. As indicated above, TCPPI's total revenues decreased by $2,378,659 or 63.4% from $3,754,576 in 2005 to $1,375,917 in 2006. This decrease is primarily due to a decrease in the sale of coconut oil of $2,338,258. There was a decrease in non-coconut oil sales of $95,801 and an increase in non-operating revenues of $55,400. The decrease in coconut oil sales was due to the non-availability of shipping for coconut oil shipments of 3,000 metric tons or less.

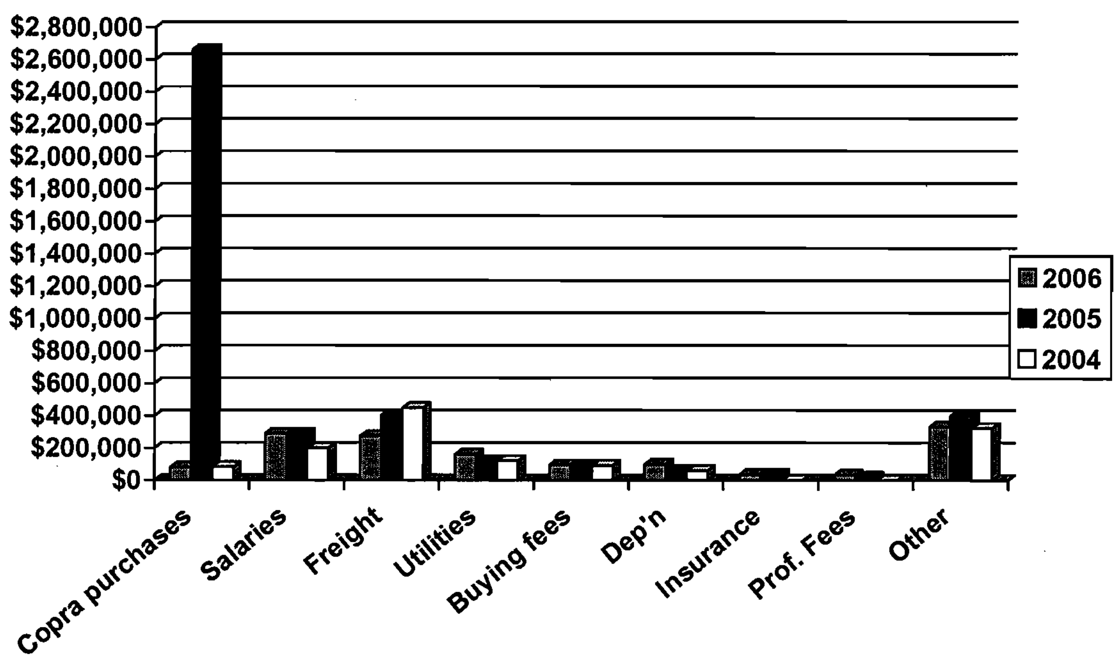
Management's Discussion and Analysis for the year ended September 30, 2005 is set forth in TCPPI's report on the audit of financial statements, which is dated August 2, 2006. That Discussion and Analysis explains the major factors impacting the 2005 financial statements and can be obtained from TCPPI's General Manager via the contact information on page 5.

The graph below shows the major components of operating revenues for 2006 compared with 2005 and 2004.



Total expenses decreased by $2,628,686 or 63.6% from $4,132,379 in 2005 to $1,503,693 in 2006. This decrease was due to a decrease in copra purchases of $2,581,045 from $2,663,038 in 2005 to $81,993 in 2006. The decrease in copra purchases is primarily due to the cumulative effects of inventory adjustments in 2005 and 2006 to reflect inventory at lower of cost or market (net realizable value). The adjustments to inventory have a corresponding entry to cost of goods sold. Further, in 2006, non-copra operating expenses decreased by $56,700 and non-operating expenses increased by $9,059.

The graph below shows the major components of operating expenses for 2006 compared with 2005 and 2004:



CAPITAL ASSETS

Net capital assets decreased by $58,055 or 6.0% from $964,343 in 2005 to $906,287 in 2006 as a result of depreciation expense of $98,692 less capital acquisitions of $40,636. A summary of TCPPI's capital assets is presented below:

	2006	2005	2004
Buildings and leasehold improvements	$ 1,907,164	$ 1,888,115	$ 1,888,115
Equipment	1,743,931	1,724,934	1,369,438
Furniture and fixtures	72,622	70,032	70,032
	3,723,717	3,683,081	3,327,585
Less accumulated depreciation	(2,817,430)	(2,718,738)	(2,658,509)
	906,287	964,343	669,076
Construction work-in-progress	-	-	338,641
	$ 906,287	$ 964,343	$ 1,007,717

ECONOMIC FACTORS AND NEXT YEAR'S RATES

The following factors were considered in preparing the TCPPI's budget for fiscal year 2007:

1) The FY 2007 Republic of the Marshall Islands Government price support of $1,200,000.
2) The price paid to copra producers would be adjusted to recognize the FY2007 price support of $1,200,000.
3) The net cake price will maintain a pricing premium due to TCPPI's superior quality.
4) The world market price will not maintain the historical levels experience in the last 3 years and copra oil would be sold as bio fuel when the price of bio fuel exceeds the net realization of selling copra oil in the world market.
5) There would be 4,000 tons of copra production, which is based on the last 6 years of copra production.

ADDITIONAL FINANCIAL INFORMATION

This discussion and analysis is designed to provide TCPPI's customers and other interested parties with an overview of TCPPI's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the Tobolar Copra Processing Plant, Inc. General Manager at P.O. Box G, Majuro MH 96960.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Net Assets
September 30, 2006 and 2005

ASSETS	2006	2005
Current assets:		
Cash	$ 75,642	$ 55,096
Receivables:		
Trade	91,229	1,011,544
Affiliate	127,172	287,291
Employees	21,141	22,985
Advances to copra buyers	13,334	13,334
	252,876	1,335,154
Allowance for doubtful accounts	(76,771)	(48,694)
	176,105	1,286,460
Inventories	1,305,901	211,448
Prepaid insurance	31,847	-
Total current assets	1,589,495	1,553,004
Property, plant and equipment, net	906,287	964,343
	$ 2,495,782	$ 2,517,347
LIABILITIES AND NET ASSETS		
Current liabilities:		
Notes payable	$ 747,220	$ 900,000
Accounts payable	168,723	111,861
Payable to affiliates	426,564	232,756
Accrued interest	89,129	80,619
Other payables	13,563	13,752
Total current liabilities	1,445,199	1,338,988
Net assets:		
Investment in capital assets	906,287	964,343
Unrestricted	144,296	214,016
Total net assets	1,050,583	1,178,359
	$ 2,495,782	$ 2,517,347

See accompanying notes to financial statements.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended September 30, 2006 and 2005

	2006	2005
Sales	$ 475,917	$ 2,909,976
Less cost of copra products manufactured and sold	1,135,302	3,817,723
Gross loss	(659,385)	(907,747)
General and administrative expenses:		
Salaries and wages	91,016	93,952
Management fee	50,000	50,000
Insurance	35,669	42,813
Professional fees	34,044	20,182
Travel and entertainment	21,794	10,039
Communications	18,934	22,003
Office supplies	13,911	9,787
Miscellaneous	56,155	28,071
Total general and administrative expenses	321,523	276,847
Operating loss	(980,908)	(1,184,594)
Nonoperating revenues (expenses):		
Copra subsidies from RepMar	900,000	844,600
Interest expense	(46,868)	(37,809)
Total nonoperating revenues (expenses), net	853,132	806,791
Change in net assets	(127,776)	(377,803)
Net assets at beginning of year	1,178,359	1,556,162
Net assets at end of year	$ 1,050,583	$ 1,178,359

See accompanying notes to financial statements.

TOBOLAR COPRA PROCESSING PLANT, INC.

Statements of Cash Flows
Years Ended September 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Cash received from customers	$ 1,537,614	$ 2,055,036
Cash payments to suppliers for goods and services	(1,893,249)	(2,653,400)
Cash payments to employees for services	(286,645)	(288,775)
Net cash used for operating activities	(642,280)	(887,139)
Cash flows from noncapital financing activities:		
Copra subsidies from RepMar	894,600	770,960
Net proceeds (repayment) under line of credit	(152,780)	150,000
Interest paid on line of credit	(38,358)	(42,448)
Net cash provided by noncapital financing activities	703,462	878,512
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(40,636)	(16,855)
Net cash used for capital and related financing activities	(40,636)	(16,855)
Net change in cash	20,546	(25,482)
Cash at beginning of year	55,096	80,578
Cash at end of year	$ 75,642	$ 55,096
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (980,908)	$ (1,184,594)
Adjustments to reconcile loss from operations to net cash used for operating activities:		
Depreciation	98,692	60,229
Bad debts expense	54,058	-
(Increase) decrease in assets:		
Receivables:		
Affiliate	165,519	(70,901)
Trade	894,334	(785,222)
Employees	1,844	1,182
Inventories	(1,094,453)	1,395,986
Prepaid insurance	(31,847)	-
Increase (decrease) in liabilities:		
Accounts payable	56,862	(89,096)
Payable to affiliates	193,808	(218,241)
Other payables	(189)	3,518
Net cash used for operating activities	$ (642,280)	$ (887,139)

See accompanying notes to financial statements.

(1) Organization

Tobolar Copra Processing Plant, Inc. (TCPPI) was granted a corporate charter on August 13, 1977, under the laws of the Trust Territory of the Pacific Islands, as subsequently adopted by the Republic of the Marshall Islands (RepMar). TCPPI was established for the primary purpose of engaging in the production and processing of copra products on Majuro Atoll. TCPPI is funded, in part, through operational appropriations from the Nitijela (the RepMar Legislature). TCPPI's principal lines of business are copra oil, copra cake and soap products. The principal market for the copra oil and copra cake are companies and farmers located in the United States. Sales are based on the world market price at the time of sale for the respective products. Soap products are sold primarily to customers in the Marshall Islands. Raw copra is purchased at a price set by the Board of Directors of TCPPI (the Board).

TCPPI's financial statements are incorporated into the financial statements of RepMar as a component unit.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of TCPPI conform to accounting principles generally accepted in the United States of America, as applicable to governmental entities, specifically proprietary funds. Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, requires that proprietary activities apply all applicable GASB pronouncements as well as Statements and Interpretations issued by the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989. TCPPI has implemented GASB 20 and elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which was subsequently amended by Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and modified by Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements establish financial reporting standards for governmental entities which require that management's discussion and analysis of the financial activities be included with the basic financial statements and notes and modifies certain other financial statement disclosure requirements.

To conform to the requirements of GASB 34, TCPPI's equity is presented in the following net assets categories:

- Investment in capital assets; capital assets, net of accumulated depreciation, plus construction or improvement of those assets.

- Unrestricted; net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

(2) Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued

Proprietary funds are accounted for on a flow of economic resources, measurement focus. With this measurement focus, all assets and liabilities associated with the operation of the fund are included in the statements of net assets. Proprietary fund operating statements present increases and decreases in net total assets. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Taxes

Corporate profits are not subject to income tax in the Republic of the Marshall Islands. The Government of the Republic of the Marshall Islands imposes a gross receipts tax of 3% on revenues. Pursuant to the Income Tax Act of 1989, as amended, TCPPI is specifically exempt from this tax as TCPPI is a government owned copra processing corporation.

Cash

For purposes of the statements of net assets and cash flows, cash is defined as cash on hand and cash held in demand deposits. As of September 30, 2006 and 2005, cash was $75,642 and $55,096, respectively, and the corresponding bank balance was $77,544 and $65,030, respectively, which is maintained in one financial institution subject to Federal Deposit Insurance Corporation (FDIC) insurance. Custodial credit risk is the risk that in the event of a bank failure, TCPPI's deposits may not be returned to it. Such deposits are not covered by depository insurance and are either uncollateralized or collateralized with securities held by the pledging financial institution or held by the pledging financial institution but not in the depositor-government's name. TCPPI does not have a deposit policy for custodial credit risk. As of September 30, 2006 and 2005, bank deposits were fully FDIC insured.

Receivables

All receivables are due from companies and farmers in Australia as of September 30, 2006 and in the United States as of September 30, 2005, and copra buyers and others, including employees and an affiliate, within the Republic of the Marshall Islands. The allowance for doubtful accounts is stated at an amount which management believes will be adequate to absorb possible losses on accounts receivable that may become uncollectible based on evaluations of the collectibility of these accounts and prior collection experience. The allowance is established through a provision for uncollectible receivables charged to expense.

(2) Summary of Significant Accounting Policies, Continued

Inventories

Inventories consist of carts, raw copra, copra oil, copra cake, and soap and materials. Carts and raw copra are valued at the lower of cost (first-in, first-out method) or market value. Copra oil, copra cake, and soap and materials are valued at the lower of production cost, which includes raw copra, direct labor and factory overhead, or market (net realizable value).

Property, Plant and Equipment

TCPPI does not have a capitalization policy for property, plant and equipment; however, items with a cost that equals or exceeds $1,000 are generally capitalized. Such assets are stated at cost. Depreciation is calculated on the straight-line method based on the estimated useful lives of the respective assets. The estimated useful lives of these assets are as follows:

Building and improvements	10 - 20 years
Equipment	3 - 20 years
Furniture and fixtures	3 - 5 years

Compensated Absences

Vested or accumulated vacation leave is recorded as an expense and liability as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. As of September 30, 2006 and 2005, an accumulated vacation leave liability of $3,924 and $4,233, respectively, is included within the statement of net assets in other payables.

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses result directly from the production and sale of copra and copra related products. Non-operating revenues and expenses are generally limited to financing and capital activities.

New Accounting Standards

In fiscal year 2006, TCPPI implemented the following pronouncements:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes standards for impairment of capital assets when its service utility has declined significantly and unexpectedly.

GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment to NCGA Statement 1*, which improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34*), which improves the understandability and comparability of net assets information by making the assessment of legal enforceability more uniform across governments. This Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation.

(2) Summary of Significant Accounting Policies, Continued

New Accounting Standards, Continued

GASB Statement No. 47, *Accounting for Termination Benefits*, which requires employees to disclose a description of the termination benefit arrangement, the cost of termination benefits, and significance methods and assumptions used to determine termination benefits liabilities.

GASB Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by cost-Sharing Employers*, which clarifies the requirements of GASB Statement Nos. 27 and 45 for recognition of pension and other postemployment benefit expenditures/expense and liabilities by cost-sharing employers.

Implementation of these pronouncements did not have a material impact on the financial statements of TCPPI.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes uniform financial reporting for other postemployment benefit plans by state and local governments. The provisions of this Statement are effective for periods beginning after December 15, 2007. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCPPI.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of TCPPI.

Reclassification

Certain reclassifications have been made to the 2005 financial statements in order to conform with 2006 presentation.

(3) Inventories

Inventories at September 30, 2006 and 2005, consist of the following:

	2006	2005
Copra oil	$ 1,111,570	$ 41,853
Carts	102,807	99,288
Raw copra	36,137	7,345
Soap and materials	45,345	42,955
Copra cake	10,042	20,007
	$ 1,305,901	$ 211,448

(4) Property, Plant and Equipment

Capital asset activity for the years ended September 30, 2006 and 2005 was as follows:

	2006			
	October 1, 2005	Additions	Retirements	September 30, 2006
Building and improvements	$ 1,888,115	$ 19,049	$ -	$ 1,907,164
Equipment	1,724,934	18,997	-	1,743,931
Furniture and fixtures	70,032	2,590	-	72,622
	3,683,081	40,636	-	3,723,717
Less accumulated depreciation	(2,718,738)	(98,692)	-	(2,817,430)
	$ 964,343	$ (58,056)	$ -	$ 906,287

	2005			
	October 1, 2004	Additions	Retirements	September 30, 2005
Building and improvements	$ 1,888,115	$ -	$ -	$ 1,888,115
Equipment	1,369,438	16,855	-	1,724,934
Furniture and fixtures	70,032	-	-	70,032
	3,327,585	16,855	-	3,683,081
Less accumulated depreciation	(2,658,509)	(60,229)	-	(2,718,738)
	$ 1,007,717	$ (43,374)	$ -	$ 964,343

(5) Notes Payable

A schedule of TCPPI's short-term borrowings as of September 30, 2006 and 2005 is as follows:

	2006	2005
Bank credit line of $1,000,000, with various terms, due on various dates, interest at bank's reference rate plus 2.5% (10% and 7.5% as of September 30, 2006 and 2005, respectively), collateralized by a general security agreement over all assets of TCPPI and a guarantee from RepMar.	$ 647,220	$ 800,000
Note payable to RMI Ports Authority, advanced on January 23, 1998 and February 27, 1998, due September 30, 1998, interest at 10%, unsecured.	100,000	100,000
	$ 747,220	$ 900,000

(5) Notes Payable, Continued

TCPPI uses a line of credit facility to finance the purchase of raw copra product from growers. Short-term activity for the years ended September 30, 2006 and 2005 was as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
Bank credit line:				
2006	$ 800,000	$ 647,220	$ (800,000)	$ 647,220
2005	$ 650,000	$ 800,000	$ (650,000)	$ 800,000

(6) Related Party Transactions

TCPPI is a component unit of RepMar and is therefore affiliated with all RepMar-owned and affiliated entities, including the RMI Ports Authority.

TCPPI is affiliated with Pacific International, Inc. (PII), a company with whom TCPPI has contracted to manage its operations.

PII is also TCPPI's agent for copra cake sales to customers in the United States, where only United States registered corporations, which includes PII, are allowed to sell copra cake. PII remits payments to TCPPI for such copra cake sales once PII receives payments from the customers in the United States. Therefore, these copra cake sales are not considered to be sales to PII. Total copra cake sales to customers in the United States for the years ended September 30, 2006 and 2005 amounted to $0 and $233,497, respectively.

PII purchases coconut fuel oil from TCPPI. During the years ended September 30, 2006 and 2005, PII was granted discounts on these sales of $62,802 and $0, respectively, representing a 20 percent discount from sales to unrelated parties. Total receivables from PII for sale of coconut fuel amounted to $71,748 and $98,651, respectively, as of September 30, 2006 and 2005.

During the years ended September 30, 2006 and 2005, the operations of TCPPI were funded by appropriations totaling $900,000 per year from the Nitijela of RepMar. However, in 2005, this subsidy was netted with $55,400 of unreceived prior year subsidies that had been recognized in prior year. As of September 30, 2006 and 2005, $5,400 and $173,640, respectively, of these appropriations are receivable from RepMar and are recorded as receivable from affiliate. In addition, TCPPI has recorded receivables from RepMar at September 30, 2006 and 2005 of $50,024 and $15,000, respectively, relating to miscellaneous services provided by TCPPI.

(6) Related Party Transactions, Continued

TCPPI utilizes services from its affiliates at the same rates charged to third parties and at substantially more favorable terms than those afforded to third parties. A summary of related party transactions is as follows:

	2006	
	Expenses	Payables
Pacific International, Inc. and affiliates	$ 119,089	$ 24,624
RepMar	206,273	365,199
Marshalls Energy Company, Inc.	155,357	24,770
Marshall Islands Social Security Administration	26,411	11,971
RMI Ports Authority	4,364	-
	$ 511,494	$ 426,564

	2005	
	Expenses	Payables
Pacific International, Inc. and affiliates	$ 477,152	$ 37,073
RepMar	158,925	158,925
Marshalls Energy Company, Inc.	114,050	24,774
Marshall Islands Social Security Administration	41,123	11,984
	$ 791,250	$ 232,756

(7) Risk Management

TCPPI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. TCPPI has elected to purchase commercial insurance from independent third parties for the risks of loss to which it is exposed. No material risks of loss occurred during the period that TCPPI was self-insured, and settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

(8) Significant Customers

Approximately 81% and 94% of total sales were earned from three customers for the year ended September 30, 2006 and 2005, respectively.

(9) Commitment and Contingencies

Commitment

A three-year management agreement was renewed effective April 1, 2003 with PII, wherein PII is to manage the operations of TCPPI for an annual fee of $50,000, payable monthly in advance. This agreement was automatically renewed on April 1, 2006 for another three years.

(9) Commitment and Contingencies, Continued

Contingencies

TCPPI has suffered recurring operating losses during the years ended September 30, 2006 and 2005. For the years ended September 30, 2006 and 2005, TCPPI received copra subsidies in cash of $900,000 and $844,600, respectively, from the Nitijela of RepMar. Although RepMar has provided funding in the past, TCPPI does not have a formal agreement with RepMar to provide funding in the future. In the event that copra subsidies from RepMar are reduced or eliminated, the Board and management of TCPPI will take appropriate action to initiate a reduction in purchase price of copra. The fiscal year 2007 copra subsidy is $1,200,000.

Public Law 1992-2 was enacted on February 17, 1992. This law established the Tobolar Copra Processing Authority (the Authority). The objectives of the Authority include assuming responsibility for the management, operation and maintenance of all aspects of copra processing for RepMar. The Authority is specifically authorized and directed by Public Law 1992-2 to enter into appropriate arrangements with TCPPI for the assumption of all rights and title to any and all assets, equipment, contracts, liabilities, rights, obligations, functions, powers, etc., that TCPPI may have or control, including all rights to the use of the name "Tobolar". This assumption will occur once TCPPI has been liquidated. Although no steps have been taken at this date to liquidate TCPPI, it is anticipated that such action will be taken.

The real property on which the copra processing plant and related facilities are located is leased by MIDA from RepMar. No provision has yet been made for the sublease to TCPPI of the real property on which the processing plant is located. No rental payments for the use of the real property or warehouses are anticipated.

TCPPI is currently in default of repayment terms of a note payable to the RMI Ports Authority (RMIPA). In accordance with the associated promissory note, in the event of default, the total sum of principal and interest shall become immediately due and payable at the option of RMIPA, without notice. In the event of commencement of suit to enforce payment of these notes payable, TCPPI will be liable for an additional sum equal to 5% of the total amount due. As of September 30, 2006, TCPPI has not received written notice of commencement of suit from RMIPA with respect to TCPPI's default.

(10) Subsequent Events

On November 12, 2006, TCPPI entered into an agreement with a company in Australia for a two-year monthly supply of all exportable copra meal at a minimum of 5 full containers per shipment commencing January 2007 to December 2008.

On April 18, 2007, TCPPI sold 3,200 metric tons of crude coconut oil for $2,167,807.