



April 1, 2004

CONFIDENTIAL

Mr. Robert Muller
Chairman
Tobolar Copra Processing Plant, Inc.

Dear Mr. Muller:

In planning and performing our audit of the financial statements of Tobolar Copra Processing Plant, Inc. (TCPPI) for the year ended September 30, 2003, on which we have issued our report dated April 1, 2004, we developed the following recommendations concerning certain matters related to TCPPI's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our recommendations are summarized below:

(1) Payroll

Of twenty-five payroll disbursements tested, four employee allotments were not evidenced by authorized allotment forms. We recommend management of TCPPI ensure that authorized allotment forms be retained in employee personnel files. This matter was discussed in our previous letters dated August 5, 2003, April 4, 2002, and December 13, 2000.

(2) Payroll

Of twenty-five payroll disbursements tested, one item (check # 17036) indicated 97 hours paid whereas the employee's timecard indicated 105 hours worked, resulting in an underpayment of gross wages of \$64.37. We recommend management of TCPPI ensure that hours paid are consistent with hours worked as indicated on the employee timecard.

(3) Payroll

Of twenty-five payroll disbursements tested, one item (check # 16594) was paid to an employee whose name was not listed on the employee listing approved by the General Manager. We recommend management of TCPPI ensure that the employee listing is updated to include all new employees.

(4) Fixed Assets

We selected one item (a Factory Dryer) from the fixed asset register for existence testing and were informed that this item had been disposed of and replaced; however, the asset was not removed from the register. Although the fixed asset was fully depreciated, we recommend that the fixed asset register be updated for all disposals.

(5) Notes Payable

As of September 30, 2003, TCCPI was in default of repayment terms concerning two notes payable to the Marshall Islands Ports Authority aggregating \$100,000. Specifically, the promissory notes required repayment of principal and interest on or before September 30, 1998. We recommend management of TCPPI renegotiate an extension to the repayment terms of these notes payable. This matter was discussed in our previous letters dated August 5, 2003, April 4, 2002, December 13, 2000 and November 18, 1999.

(6) Local Noncompliance

Sections 131 and 215 of the RepMar Social Security Act of 1990 and the Social Security Health Fund Act of 1991, respectively, state that no later than the tenth day after the end of each quarter, every employer shall submit to the Social Security Administrator a report of the wages and salaries paid, and the contributions due, under Sections 129 and 130, and 213 and 214, respectively, and pay the contributions due to the Fund. For the year ended September 30, 2003, TCPPI did not submit payments to the Social Security Administrator for employer and employee contributions due within the timeframe prescribed for the quarters ended December 31, 2002, March 31, 2003, and June 30, 2003. We recommend that management comply with the Social Security Act of 1990 and the Social Security Health Fund Act of 1991. This matter was discussed in our previous letters dated August 5, 2003, April 4, 2002 and was reported as a finding in the audits of TCPPI for fiscal years 1999 and 2000.

(7) Revenue

Of seventeen pinneep oil and soap sales tested, the following exceptions were noted:

- Invoice #s 3775, 3792, 3819, 3825, and 3868, totaling \$208, were not paid, and therefore, were not recorded to the general ledger.
- Invoice # 3807 did not indicate the date of sale.
- Invoice #s 3792, 3819, 3825 and 3868 were not supported by cash receipts indicating that the customer paid the invoices.

Additionally, of eleven copra cake sales tested, two items for \$10,384 and \$13,977 (invoice #s 12302 and 03041L, respectively) were not supported by cash receipts indicating that the customer paid the invoices.

We recommend that management ensure that invoices are recorded to the general ledger at the time the sale is initiated and ensure that sales invoices indicate the date of sale. Furthermore, we recommend management ensure that cash receipts support all sales for which payment has been received.

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(8) Receivables

TCPPI does not prepare detailed aging schedules for accounts receivable and does not maintain invoices in an orderly manner. In particular, recorded accounts receivable as of September 30, 2003 for soap/pinneep oil sales did not have a detailed aging schedule and did not agree to outstanding sales invoices, which were maintained by the soap factory manager. Detailed aging schedules prepared on a regular basis can assist management to determine the adequacy of the allowance for doubtful accounts. We recommend that TCPPI implement procedures to prepare accounts receivable aging schedules on a regular basis and maintain sales invoices in an orderly manner. This matter was discussed in our previous letters dated August 5, 2003, April 4, 2002 and December 13, 2000.

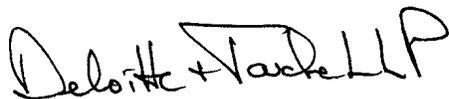
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We have communicated certain matters noted during our audit of the financial statements of TCPPI for the year ended September 30, 2003, which we considered to be reportable conditions in our report dated April 1, 2004.

This report is intended solely for the information and use of management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the accounting staff and management for their assistance during the course of our audit. Should you have any questions regarding the matters discussed herein, please contact our office at your convenience.

Very truly yours,

A handwritten signature in black ink that reads "Deloitte + Stacke LLP". The signature is written in a cursive, flowing style.