

This "aggrieved group" is now believed to be the five plaintiffs in the defamation case and perhaps a few others. A very small minority of Leader shareholders.

**EBO Enterprises, LLC**

EBO Enterprises is Mr. Detwiler's one-man consulting company, we believe.

Mr. Bruce Johnson  
Lt. Governor and Director  
Ohio Department of Development  
77 South High Street  
P.O. Box 1001  
Columbus, Ohio 43216-1001

May 11, 2006

RECEIVED

MAY 16 2006

DEPARTMENT OF DEVELOPMENT  
OFFICE OF DIRECTOR

The Honorable Lt. Governor Johnson:

As a member of an aggrieved group of investors, stockholders, ex-employees, and vendors, the Ohio Department of Development (ODOD) is petitioned to repeal its ruling not to comply with the Freedom of Information Act (FOIA) pertaining to Leader Technologies Incorporated. We want a complete copy of the original Grant Application and copies of the original Equipment Invoices submitted by Leader to ODOD concerning Leader's 412 Business Development Grant. We want these documents unaltered by Leader corporate officers.

Though ODOD's original denial to release certain information was based on alleged national security concerns, it will be shown that those concerns are unsubstantiated. A review of the chronology and facts along with information from the United States Department of Homeland Security clearly refutes a national security defense and will allow ODOD to honor a FOIA request for an unfiltered copy of Leader Technologies Incorporated's 412 Grant Application and Equipment Invoices.

In June 2003, Leader Technologies Incorporated, (921 Eastwind Drive, Suite 118, Westerville, Ohio 43081) received a Business Development 412 Grant from the State of Ohio Department of Development. The Grant Agreement, which includes Exhibit I "Scope of Work", was signed June 12, 2003 by Michael T. McKibben, CEO of Leader Technologies Incorporated and on June 18, 2003 by Bruce Johnson, Director of the Ohio Department of Development.

Key terms of the Grant Agreement and Scope of Work relevant to this letter follow:

*"Grantor hereby grants funds to Grantee in the amount of Two Hundred Fifty Thousand and No/100 Dollars (\$250,000.00) (the Funds), for the sole and express purpose of undertaking and completing the Project. Grantee shall undertake the Project as set forth in Exhibit I, 'Scope of Work', which is attached hereto and made a part hereof."*

*"In the event that the Project does not become operational and/or is abandoned, all monies paid by Grantor to Grantee under this Agreement shall be remitted to Grantor by Grantee within thirty (30) days after such event has occurred."*

*"The Project shall be completed not later than December 2, 2004, (the 'Project Completion Date'). If it is anticipated that Grantee will not have completed the Project by the Project Completion Date, Grantee must request an extension of time for the Project Completion Date within sixty (60) days before the Project Completion Date, unless otherwise agreed upon by Grantor. It will be within the sole discretion of Grantor to grant such an extension of time."*

Incorrect speculation>> Mr. Detwiler had no way of knowing Leader's confidential business activities; nor did he have a need to know.

**B. Detwiler**  
Managing Partner  
5361 Park Lane Drive  
Columbus, Ohio 43231  
Phone: 614.895.0465  
Fax: 614.895.0465  
EBO@columbus.rr.com

*"Grantee shall submit to Grantor an Annual Employment Verification Report, as specified by Grantor, detailing the progress of the Project, the number of employees who have been hired and the number of employees who have been retained. Such Annual Employment Verification Report shall be received by Grantor no later than January 15 of each year. The chief executive officer and the chief financial officer of Grantee shall certify as accurate the information contained in the Annual Employment Verification Report and sign a statement to such effect. Failure of Grantee to submit the Annual Verification Report shall be cause for Grantor to terminate this Agreement as set forth in Section 19 of this Agreement."*

*"The term of this Agreement (the 'Term') shall be from the date of the Controlling Board approval and shall expire three (3) years from the Project Completion Date (the 'Expiration Date')."*

*"The grant of Funds shall be contingent upon the acquisition of funds from other financing sources. By executing this Agreement, Grantee represents that sufficient funding, in addition to the Funds, has been obtained to complete the Project."*

*"Within the Term of the Agreement Grantee shall retain 23 full time jobs and shall create 159 jobs for the citizens of the State of Ohio and once achieved, Grantee shall maintain the above-referenced employment levels of Grantee throughout the Term of this Agreement."*

*"Grantee affirmatively covenants that it has made no false statements to Grantor in the process of obtaining this grant of Funds. If Grantee has knowingly made a false statement to Grantor to obtain this grant of Funds, Grantee shall be required to return all Funds immediately pursuant to Ohio Revised Code Section 9.66(C)(2) and shall be ineligible for any future economic development assistance from the State, any state agency or a political subdivision pursuant to O.R.C. Section 9.66(C)(1). Any person who provides a false statement to secure economic development assistance may be guilty of falsification, a misdemeanor of the first degree, pursuant to O.R.C. 2921.13(D)(1), which is punishable by a fine of not more than \$1,000.00 and/or a term of imprisonment of not more than six months."*

*"This Agreement and its exhibits and any documents referenced to herein constitute the complete understanding of the parties and merge and supersede any and all other discussions, agreements and understandings, either oral or written, between the parties with respect to the subject matter hereof."*

*"All notices, consents, demands, requests and other communications which may or are required to be given hereunder shall be in writing and shall be deemed duly given if personally delivered or sent by United States mail, registered or certified, return receipt requested, postage paid, or by a delivery service that can provide proof of mailing and receipt by both parties, to the addresses set forth hereunder or to such other address as the other party hereto may designate in written notice transmitted in accordance with this provision."*

*"Either party may at any time during the term of this Agreement request amendments or modifications. Requests for amendment or modification of this Agreement shall be in writing and shall specify the requested changes and the justification of such changes. The parties shall review the request for modification in terms of the regulations and goals relating to the Project. Should the parties consent to modification of the Agreement, then an amendment shall be drawn, approved, and executed in the same manner as the original agreement."*

**Statement of Work**

These numbers were a mish-mash of accurate numbers from Leader's Application, and numbers that were unilaterally altered by an ODOD staffers on Apr.23, 2003; changed without explanation or approval from Leader.

*"As a result of the project and the State assistance provided, an estimated 159 jobs will be created at the project site in Franklin County and 23 jobs will be retained at the project site. Based on the estimated number of jobs to be created and retained, the average cost of State assistance is \$1,374 per job."*

*"The total company investment at the project site is \$5,200,000. The \$250,000 in Business Development (412) Account funds represents 20 percent of the eligible machinery and equipment acquisition costs estimated to be \$1,244,000. The company has committed to funding the balance of the project."*

*"The project will consist of Leader acquiring network equipment to support its new proposed headquarters, production, and R&D facility in Westerville. Leader currently leases 5,500 square feet of space in Westerville and would need a total of 39,000 square feet to meet the demands of its three-year plans. The \$1,244,000 in network equipment is necessary to support further software product development and to provide service via the Internet to its customers. The balance of Leader's fixed asset investment will occur in 1,000 square feet of space in downtown Columbus, where it will house heavy computer equipment that ties directly into adjacent fiber optic lines. No job creation will occur at the Columbus location."*

*"In operation since 1997, Leader produces computer software that helps facilitate its customers' communications, teleconferencing, and security needs. In addition to products that are purchased and physically installed in a customer's facility, Leader also offers a hosting service that runs through its headquarters operation and other service products related to the communications needs of its customers."*

*"In addition to Business Development (412) Account assistance, Ohio is also supporting this project with a Job Creation Tax Credit of 65 percent for seven years and an Ohio Investment in Training Program grant of up to \$160,000."*

It appears that Mr. Detwiler has become a third party collections agent for the ODOD staff. How are the interests of the Leader shareholders served?

An investigation conducted March 23, 2005 by ODOD exposed that Leader Technologies had violated the terms of the Business Development 412 Grant Agreement. Michael T. McKibben was ordered on April 7, 2005 to repay the entire amount of \$250,000.00 in Grant monies received.

The process of collecting and analyzing all available public documents obtained under the FOIA from the ODOD concerning Leader Technologies' application and subsequent receipt of the 412 Grant began on September 22, 2004. The documents were obtained through Ms. Marlo B. Tannous, Esq., Chief Legal Counsel of the Ohio Department of Development and, upon the departure of Ms. Tannous, from Mr. Robert P. Stempfer, Legal Division.

The specific copies obtained were the Grant Application; the Grant Agreement; the Equipment Invoices; the letter of notification to Leader Technologies' Michael McKibben outlining the reasons for the ODOD demanding repayment; and the Cognovit Promissory Note outlining the repayment terms and conditions dated July 20, 2005. There were no written modifications or changes to the Grant Agreement from its inception to termination.

False. An agreement to take no further action on the Note was reached on April 1, 2005 with ODOD Attorneys John Barron and Robert Stempfer. That agreement held for 18 months. The matter was resolved.

The ODOD failure to provided the promised \$5.2 million in Innovation Ohio funds, combined with the "dotcom crash" prevented the company from fulfilling the projections; not to mention the Detwiler interference.

This entire paragraph is full of errors and mistaken assumptions fueled by unilateral ODOD changes to Leader's Application, made without Leader's knowledge or approval.

The repayment terms of the Cognovit Promissory Note were revalidated by Mr. Robert P. Stempfer's letter of January 13, 2006, showing no changes have occurred since the original release of documents. The repayment terms show Leader must pay \$4,000 per month, commencing August 1, 2005 for 23 months, and a final payment in the amount of \$158,000.00 due July 1, 2007. No interest charge or penalties were assessed, resulting in Leader Technologies having use of the \$250,000.00 Grant funds from June 20, 2003 through July 1, 2007, forty-eight months, interest free.

Evaluating Leader's performance in satisfying the terms and conditions of the Grant Agreement, Leader corporate officers, through their own negligence, did not fulfill even the simplest Agreement commitment of filing timely reports. Not one of the required reports was ever submitted to the ODOD and thus not available under FOIA as validated by Ms. Tannous. Certainly, had the ODOD received the Annual Employment Verification Report, certified by the chief executive officer and the chief financial officer, ODOD would have immediately recognized that Leader was not complying with the Agreement.

Leader corporate officers not only failed to create any of the committed 159 new jobs, they also failed to retain the twenty-three full time employees they claimed they had when the Agreement was signed. That fact was uncovered by the March 2005 ODOD investigation finding that Leader had only seven employees -- a loss of over seventy percent of its alleged total number of employees at the inception of the Agreement.

Leader corporate officers, by executing the Grant Agreement, represented that sufficient funding, in addition to the Grant funds, had been obtained to complete the Project. The total Leader investment at the project site was to be \$5,200,000.00, and the \$250,000.00 412 Grant funds represented only twenty percent of the cost of eligible machinery and equipment acquisitions estimated to be \$1,244,000.00. The Leader equipment purchases commenced on June 13, 2003 and concluded on July 18, 2003 -- fully executed within thirty days of the June 20, 2003 receipt of the Grant money. The dollar amount of the purchases totaled to the penny the exact amount of the Grant award. The ODOD investigation revealed that Leader corporate officers did not invest any equity or company finances in support of the Project for twenty-one months from the receipt of the Grant funds.

Leader corporate officers were permitted to alter the Grant Application and Equipment Invoices prior to those documents' release as public information. Nearly all of the pertinent information was masked and marked:

**“FOR OFFICIAL USE ONLY  
Homeland Security Critical Infrastructure Information”**

This statement is in compliance with US Department of Homeland Security directive MD 11402 with which Leader was asked to comply. Mr. Detwiler is completely ignorant of these activities; as he should be; they were and are on a need-to-know basis. NOTE: ODOD attorneys John Barron and Robert Stempfer were aware of Leader's need to be compliant with MD 11402.

This is fanciful speculation made without any knowledge of Leader's operations and confidences being maintained.

Leader corporate officers, for suspicious reasons, did not want and still do not want the Grant Application and the Equipment Invoice information scrutinized. Allowing persons to view the public information who were knowledgeable about Leader's business relationships, finances, and -- specifically -- the employee headcount and compensation circumstances at the time of the grant would likely expose fraudulent information was given to the ODOD. The decision to use the Department of Homeland Security to justify why Leader was not "permitted" to disclose the information implies Leader corporate officers assumed no one would challenge or be able to pierce the veil of a "Homeland Security" defense.

These political inquiries yielded nothing, so why are they mentioned, except maybe to make the letter longer? Mr. Tiberi is familiar with Leader. He has met with Leader executives and assisted in certain matters involving national security agencies.

U. S. Representative Patrick J. Tiberi initiated a congressional inquiry through the U. S. Department of Homeland Security, asking if they had any documents available under FOIA pertaining to a contract or any other relationship with Leader Technologies Incorporated. A copy of the Department of Homeland Security's response from Ms. Catherine Papoi, Deputy Director, Departmental Disclosure & FOIA is enclosed along with a copy of Representative Tiberi's letter.

As stated in Ms. Papoi's letter, the Department of Homeland Security finds that "no records exist which would be responsive to your request." Search limitations 1 and 2 acknowledged in the letter are immaterial since they would not support any significant relationship justifying Leader's requirement by Homeland Security to protect information. Search limitation 3 would dictate that Leader corporate officers and at least some employees would be required to have current U. S. Government security clearances and operate from processing facilities that would meet U. S. Government security standards.

Untrue speculation. ODOD was notified from inception of the trade secrets. ODOD's own documents protect trade secrets. ODOD attorney Marlo Tannous was largely unfamiliar with trade secret law and attempted to release documents inappropriately. Leader rightly protested.

It is contradictory that when submitting the Grant Application or immediately upon receipt of such knowledge, no specific warning or notification was given to the ODOD that it received sensitive data and information that was **"For Official Use Only Homeland Security Critical Infrastructure."** Were this fact, Leader then knowingly jeopardized ODOD's integrity and security by not alerting ODOD of the classified nature of the information received. In addition, this action would violate U.S. Government policy in the disclosure of classified information by Leader Technologies to an unapproved third party in an unapproved manner.

Certainly the Department of Homeland Security's response to a congressional inquiry and the fact that Leader corporate officers failed to identify the alleged sensitivity of this data and information until the request for public disclosure surfaced clearly deny the claims for Homeland Security protection and should be summarily dismissed by the ODOD. It would seem appropriate for Leader to have and be able to provide upon request, written instructions from the U.S. Department of Homeland Security or any other appropriate government entity, outlining Leader's requirements to ensure the integrity of the "classified" data and information.

Fishing expedition.

Again, a formal request is solicited for a complete copy of the original Grant Application and copies of the original Equipment Invoices submitted by Leader Technologies Incorporated pertaining to the Business Development 412 Grant of June, 2003. Leader corporate officers should not be given the opportunity to alter the documents for a second time and to wholesale substitute their Homeland Security defense with some other frivolous or fictitious claim as to why the information should withheld from public view.

On the contrary, as the Feb. 19, 2009 public records disclosure prove, it was ODOD that unilaterally changed Leader's Application Project numbers without Leader's knowledge or approval. Click here to see those ODOD changes to the Leader Application without Leader's approval.

Upon receipt, an analysis can be performed to identify why the Ohio Department of Development was erroneously misled to conclude that by providing the Grant funds, Leader corporate officers would be able to perform and complete the Project satisfying the terms and conditions of the Grant Agreement. The fact still remains that the outcome was, by any measurement criteria, a broad and systematic failure by Leader Technologies' corporate officers to meet their contractual commitments.

Unmistakably, the Leader 412 Grant Application, qualifications, promises, approval, and then non-compliance, secrecy claims, and failure of good faith cooperation – have been an egregious parade of red flags for the ODOD and the taxpayers of Ohio. It is now time to expose the deceptions of the Leader Technologies 412 Grant Application and Equipment Invoices by complying with the FOIA request.

It is understood this letter and its enclosures will be made publicly available under the Freedom of Information Act by the Ohio Department of Development. All information and facts contained in this letter were compiled from documents received under FOIA.

We look forward to your timely response.

Sincerely,



Edward B. Detwiler  
EBD Enterprises, LLC  
5361 Park Lane Drive  
Columbus, Ohio 43231-4075  
(614) 895-0465

Enclosures: Cover letter from U. S. Representative Patrick J. Tiberi  
Letter from U.S. Department of Homeland Security

cc: The Honorable Patrick J. Tiberi  
US Representative, 12th District of Ohio  
3000 Corporate Exchange Drive  
Suite 310  
Columbus, Ohio 43231

See pages 3 to 6. Mr. Detwiler as a shareholder had insider business knowledge of the ODOD relationship. No business purpose is achieved by such a communication between an unauthorized shareholder and an organization with whom the company was conducting business.

**Barron, John**

**From:** Manno, Carrie R. [IMCEAEX-  
\_O=ODOD\_OU=MAIL1\_CN=RECIPIENTS\_CN=CRICHARDS@ohiohome.org]  
**Sent:** Tuesday, January 25, 2005 4:12 PM  
**To:** Tannous, Marlo B.; Vanderpool, Shannon L.  
**Cc:** Ryan, Jean C.; Brown, Kimberly K.  
**Subject:** RE: Leader Technologies Incorporated 412 Grant Agreement Status

I have talked to Lewie about the audit. He and I will get together next week (he's out at trainings for the rest of this week) and set up a date and time for the company. I'll let you know once we get it scheduled.

-----Original Message-----

**From:** Tannous, Marlo B.  
**Sent:** Tuesday, January 25, 2005 4:08 PM  
**To:** Vanderpool, Shannon L.  
**Cc:** Ryan, Jean C.; Manno, Carrie R.; Brown, Kimberly K.  
**Subject:** RE: Leader Technologies Incorporated 412 Grant Agreement Status

Shannon. Thanks for the information. First, can I have a copy of the grant.

Second, please place a hold on any payments on this grant until you check with me. I sense there may be some problems with this grantee and we are in the process of doing some checks on it.

Jean, please see below.

Carrie and Kim, please see below.

-----Original Message-----

**From:** Vanderpool, Shannon L.  
**Sent:** Tuesday, January 25, 2005 3:38 PM  
**To:** Tannous, Marlo B.  
**Subject:** RE: Leader Technologies Incorporated 412 Grant Agreement Status

-Yes, Leader Technologies has a FY04 grant with Leader Technologies for \$80,000 with a commitment of an additional \$80,000 for FY05.

-At this time the Company has not submitted any invoicing.

-Originally the Company stated they had 23 employees, however, they later corrected it to 14; that they would be creating 136 jobs; and training all 150 employees.

-Steve Tirpak is the Training Coordinator that has worked with this Company.

-----Original Message-----

**From:** Tannous, Marlo B.  
**Sent:** Tuesday, January 25, 2005 3:25 PM  
**To:** Brown, Kimberly K.; Vanderpool, Shannon L.  
**Subject:** FW: Leader Technologies Incorporated 412 Grant Agreement Status

Kim, do you have copies of the invoices that I could have? Number 5

Shannon...does this company have an OITP grant.

And, Kim was there ever an app for this company?

thansk.

-----Original Message-----

**From:** Ryan, Jean C.

**Sent:** Friday, January 21, 2005 5:11 PM

**To:** Tannous, Marlo B.

**Subject:** FW: Leader Technologies Incorporated 412 Grant Agreement Status

fyi - do you need anything else from me or EDD?

-----Original Message-----

**From:** Brown, Kimberly K.

**Sent:** Wednesday, January 19, 2005 1:41 PM

**To:** Ryan, Jean C.; Altomare, Marcy A.

**Cc:** Cleveland, Cindy

**Subject:** RE: Leader Technologies Incorporated 412 Grant Agreement Status

Marcy/Jean,

I have pulled the file and would like to give you the information that I have found in regards to the questions on this company. Leader Technologies requested all funding (Draw 1 dated 7/14/03 was for \$99,930 and Draw 2 date 8/15/03 for \$149,995.00 and the remaining \$75 was cancelled) and the project completion date remains 12/2/04. Therefore, this will be the company's 1st annual report due this year (once we send out the annual reports). They did not request an extension for the project completion to be extended. I will try to answer his questions to the best of my ability below. Please forward to whom you deem necessary in light of the situation below (in case you would like to add or subtract from any of my answers).

1. No extension was requested.
2. Yes, at the time of the acceptance letter (dated 4/7/03) to the commitment letter (dated 3/24/03), the company stipulated they did have 23 full-time employees. No, ODOD does not ask for payroll records to substantiate the 23 full-time people. Yes, ODOD expects all 23 full-time employees to be based in Ohio (Westerville to be exact) and that they are being fully paid.
3. A Final Closeout Report is what will be completed at the end of the three years of reporting (the final report due in year three for close-out purposes).
4. The first report has not gone out yet (the first report will be due this year).
5. ODOD does keep track of the invoices paid pursuant to the grant agreement. These invoices and the items listed are not compared to current market price for the same equipment models. They are, however, reviewed pursuant to the grant agreement stipulations listed in the agreement and Exhibit I - Scope of Work.
6. I am unaware of this case.
7. I am unaware...Shannon/Carla should become involved for OITP for this question.
8. I am unaware...

Please let me know if I can be of any additional assistance.

Thanks,

Kim

-----Original Message-----

**From:** Tannous, Marlo B.**Sent:** Wednesday, January 19, 2005 1:15 PM**To:** Brown, Kimberly K.; Ryan, Jean C.; Altomare, Marcy A.**Cc:** Carton, Thomas W.**Subject:** FW: Leader Technologies Incorporated 412 Grant Agreement Status**Importance:** High

Kim and Jean, this gentleman requested some information on this company in September of last year. He wanted the Innovation Ohio Loan application, but evidently they did not apply for a loan and only received a 412. I sent him a copy of hte 412, and he just sent me this email.

He alleges some interesting things. His background is that he is an investor in the company and is owed approximately \$129,000, which he evidently says he has a letter from a lawyer acknowledging this fact but the company says they have no money.

I think we should have someone look into this. I was not certain what regional rep may have been involved, but please look into this and to the extent that there are more records (annual reports, etc) please get them to me.

I called him and told him that I cannot keep this confidential, and that if we need to contact the company we will, but as this point, I'm not certain we need to. Thanks.

-----Original Message-----

**From:** Edward B. Detwiler [mailto:EBD@columbus.rr.com]**Sent:** Monday, January 17, 2005 10:28 AM**To:** Tannous, Marlo B.**Subject:** Leader Technologies Incorporated 412 Grant Agreement Status

## CONFIDENTIAL

Marlo,

Happy New Year! I hope you have a great 2005.

In reviewing the 412 Grant Agreement for Leader Technologies that you sent me on September 9, 2004 (copy attached for your convenience) I have the following questions:

1. In the Statement of Agreement paragraph 4, Leader would have been required to request an extension sixty days prior to the project completion date of December 2, 2004 if they were not going to meet the completion date. The Scope of Work (Exhibit 1) paragraph 2 states "As a result of the project and the State assistance provided, an estimated 159 jobs will be created at the project site in Franklin County and 23 jobs will be retained at the project site." Did Leader request an extension as required by October 3, 2004 or did they meet the above commitment? If they filed the extension request, may I have a copy of that extension request and any response that DOD may have given them?

2. In paragraph 9 (Job Creation and/or Retention) Leader "shall retain 23 full-time jobs and shall create 159 jobs for the citizens of the State of Ohio and once achieved, Grantee shall maintain the above-referenced employment levels of the Grantee throughout the terms of the Agreement." While you could not share with me the

Mr. Detwiler is attempting to impune the integrity of Leader officers' representations and to keep it secret so that they cannot refute this spurious innuendo.

application for the Grant, reading between the lines, I assume you were told that Leader had 23 full-time employees at the time of signature June 12, 2003. Did the Department of Development ask for payroll records that would substantiate the 23 full-time people? Was the DOD expecting that all 23 employees would be Ohio based at the time of application? Was DOD expecting that all 23 full-time Leader employees were being fully paid?

3. The project completion date stated in paragraph 4 of December 2, 2004 would require as stated in paragraph 7 a Final Closeout Report within forty-five days of the completion of the project. That would be about January 16, 2005. If no extension request has been filed pursuant to paragraph 4, may I have a copy of the Final Closeout Report?

4. The Submission of Annual Progress Reports in paragraph 5 requires a report no later than January 15, 2005. If applicable, may I have a copy of that report?

5. Since the Grant covers the acquisition of "network equipment", is the detail available as required in paragraph 1 and 2 itemizing what computer hardware was purchased by date, model number, serial number, and cost? Will or did DOD evaluate the equipment acquisition cost Leader incurred as a result of the agreement to the then current market price for the same equipment models? May I have a copy of this information?

6. Is DOD aware of open case 2003 CVG 050578 in Franklin County? This may or may not have implications pertaining to the facility and location terms and conditions stated in paragraph 11 and 12 of the Statement of Agreement.

7. In the Scope of Work (Exhibit 1) reference is made in the last paragraph to an "Ohio Investment in Training Program of up to \$160,000". Is the Department of Development involved with funding this program? If so, may I have information pertaining to this agreement?

8. In the event interested parties wished to pursue a formal investigation into this agreement between Leader Technologies and the Department of Development, what is the proper course of action?

Marlo, I would appreciate that you keep these questions confidential with regard to Leader representatives until we agree that it is necessary or prudent to pursue further inquiry or action.

I would be happy to meet with you face-to-face to discuss these questions and their purpose.

Thanks,

Ed

Edward B. Detwiler  
(614) 895-0465

**Barron, John**

**From:** Edward B. Detwiler [EBD@columbus.rr.com]  
**Sent:** Wednesday, April 27, 2005 12:30 PM  
**To:** Tannous, Marlo B.  
**Subject:** Leader Technologies, Inc. Application Review

Mr. Detwiler never once came to the Leader Board of Directors with his concerns or questions as is the lawful way for a shareholder to voice concerns and questions.

Marlo,

I look forward to receiving a copy of the letter from the Department of Development to Leader Technologies, Inc. you and I discussed a couple of weeks ago. Since our conversation, I am also anxious to hear about DOD plans for auditing the off-the-shelf computer hardware Leader purchased with the \$250,000 421 Grant money.

I offer the following comments from my evaluation of the approximately seventy-five pages of the Leader Technologies' grant application and computer equipment invoices provided by the State of Ohio Attorney General's Office on March 25, 2005:

The original grant application was dated April 7, 2003. DOD through the State of Ohio Attorney General's office (Martin D. Susec) allowed Leader Technologies to edit the application in April of 2005 (two years later) before release, available as public information, to interested parties. The documents were heavily edited with Leader citing "For Official Use Only Homeland Security Critical Infrastructure Information" as the reason much information cannot be disclosed. I would note that the entire final 421 Grant Agreement and specifically Exhibit 1 Scope of Work ("for the sole and express purpose of undertaking and completing the Project") never mentions Homeland Security. In fact, the Scope of Work describes the equipment as "... network equipment to support its new proposed headquarters, production, and R&D facility in Westerville".

I will not quarrel with the Homeland Security veil that Leader chooses to hide behind. The information provided by Leader in the application about their headcount has already been audited by DOD and the results and next steps are to be outlined in your pending letter to Leader as I understand our conversation of a couple of weeks ago. The fact that Leader states the description of the off-the-shelf computer hardware purchased with State of Ohio money cannot be disclosed due to "Homeland Security" in my mind puts the Department of Development as the only entity able to evaluate the reasonableness of the purchase price for this hardware. Further, by not allowing the equipment description, Leader Technologies certainly implies that ALL of this purchased hardware is actually installed and supporting "Homeland Security" processing of some sort.

The equipment invoices span the dates of June 13, 2003 to July 18, 2003. I note that there was no shipping charges listed on the AnySystem.com L.L.C invoices. Pursuant to the terms in paragraph 3 (Accounting of Funds) of the Grant Agreement any shipping charges would be available in the "... separate account upon the books and records of Grantee (the "Account"). Since the seller AnySystem.com resides in New Jersey, and the recipient Leader Technologies resides in Ohio, no New Jersey sales taxes were charged. I would presume that if any State of Ohio or Local Government sales taxes or property taxes were applicable, then payment would be out of this separate account. I would also expect that all of this equipment would be shown under depreciable assets on Leader Technologies' books and income tax returns for 2003 and 2004.

All of the hardware listed in each invoice was directed to the attention of Jeff Lamb. Mr. Lamb is listed as the Chief Technology Officer on page 3 of the grant application under the heading of Management Team and Key Personnel. A check today (4/27/2005) of Leader Technologies' web site shows that Mr. Lamb still holds that position. It appears that Mr. Lamb would be in a position to personally account for the timely installation and historical usage of this hardware.

From Exhibit 1 Scope of Work, Leader Technologies "As a result of the project and the State assistance provided, an estimated 159 jobs will be created at the project site in Franklin County and 23 jobs will be retained at the project site." This was to happen by December 2, 2004. Since I have not seen the results of your headcount audit it is impossible to determine how many full-time and fully-paid Leader employees are currently supported by the \$250,000 of purchased hardware.

All hardware is installed in the Columbus area so there would be little travel and expenses associated with a

5/18/2006

physical audit. Financial information such as shipping records, applicable taxes, depreciation schedules, and hardware capacity utilization information would be available from Leader Technologies. I would expect the appropriate State of Ohio purchasing organization to have the resources to evaluate the reasonableness of the purchase price if the DOD is able to let them see the hardware description.

I continue to urge the Department of Development to thoroughly audit the computer equipment purchased by Leader Technologies, Inc. with the 421 Grant money.

Edward B. Detwiler  
5361 Park Lane Drive  
Columbus, Ohio 43231-4075

(614) 895-0465

5/18/2006