

Barron, John

From: Manno, Carrie R. [IMCEAEX-
_O=ODOD_OU=MAIL1_CN=RECIPIENTS_CN=CRICH
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 Agree

Detwiler correspondence with the Ohio Department of Development referenced in the Detwiler defamation suit --- Page 52, Detwiler et al v. Leader et al 09CV-05-6857 (click) --- with the header "1. Jan. 17, 2005". Note page 4 herein where Detwiler asks a public official to keep his interaction with the Department about Leader "confidential." This document was obtained by Leader in 2009 in a public records request. Leader settled this matter with the Department in 2009 following discovery of unauthorized changes to the Leader application by Department analysts in 2003.

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?

thank.

-----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

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

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