



State of Ohio  
**Office of the Inspector General**

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THOMAS P. CHARLES, Inspector General

## REPORT OF INVESTIGATION

**FILE ID NUMBER:** 2009105

**AGENCY:** Ohio Department of Rehabilitation and Correction

**BASIS FOR INVESTIGATION:** IG Initiative

**ALLEGATION:** Inappropriate Influence Involving a Contract or Business Agreement

**INITIATED:** March 25, 2009

**DATE OF REPORT:** July 29, 2009

## **EXECUTIVE SUMMARY**

File ID No. 2009105

On March 20, 2009, *WBNS 10TV* published an article on their website written by a reporter who had investigated a business relationship between the Ohio Penal Industries (“OPI”), a section of the Ohio Department of Rehabilitation and Correction (“ODRC”), and KBK Enterprises. The article implied the business relationship evolved from a personal friendship between Keith Key, President of KBK Enterprises, and ODRC Assistant Director Michael Randle, and related that the two had been fraternity brothers while attending The Ohio State University. The article also claimed that KBK Enterprises was able to purchase OPI products at OPI’s net cost for materials and labor, a special pricing arrangement not available to state agencies.

Our investigation confirmed the relationship between Key and Randle. We did not find that Randle had a significant role in the negotiations of the agreement between OPI and KBK Enterprises. However, we did find that Randle had some minor involvement in the negotiation process and the administration of the agreement following its execution. By Randle’s own admission, we learned that he had never divulged his friendship with Key to ODRC Director Terry Collins prior to OPI entering into the business agreement with KBK Enterprises. We found an appearance of impropriety on the part of Randle for his failure to make Director Collins aware of his personal relationship with Key.

During our investigation, we identified another business transaction between ODRC and KBK Enterprises. In this instance, Randle’s involvement was more substantial. In 2004, then Deputy Director Randle chaired the Corrections Technology Committee. Following a presentation by Elmo-Tech, a company that manufactures electronic monitoring devices and systems, it was decided to purchase a group monitoring unit, which is used to monitor inmates’ movements while on a work detail outside of an institution. Randle provided Keith Key’s name to the Elmo-Tech representative as a possible distributor for

Elmo-Tech products. Key was subsequently contacted by the representative and entered into a distributorship agreement with the company. Key later submitted a proposal to ODRC, addressed to Randle, for eight of the group monitoring unit packages at a total cost of \$120,000.00. As Elmo-Tech was the sole manufacturer for this unit, it was necessary to obtain documentation confirming them as a sole source vendor and identify KBK Enterprises as the only distributor for Elmo-Tech in the state of Ohio. After doing that, ODRC then submitted a request for a “Waiver of Competitive Selection” to the Ohio Controlling Board. In his interview, Randle stated he believes he may have personally testified in front of the Ohio Controlling Board when requesting this waiver. On December 6, 2004, the waiver was granted and the eight packages were purchased from KBK Enterprises. We learned that the cost of the eight packages from Elmo-Tech to KBK Enterprises was \$80,000.00.

As with later dealings between KBK Enterprises and OPI, Randle did not notify then Director Wilkinson, or any of his other superiors, of his friendship with Key prior or subsequent to the purchase of the group monitoring unit. ODRC could have purchased the units directly from the company. It is unknown what the actual cost would have been, as there were never any negotiations concerning a direct purchase. However, Elmo-Tech felt certain it would have been at a lesser cost than the 50 percent markup ODRC paid to KBK Enterprises. Randle’s lack of transparency about his friendship with Key, the fact that he provided Key’s name to Elmo-Tech and the fact that ODRC could have saved a significant amount of money by buying the group monitoring unit direct from Elmo-Tech are the primary reasons we conclude that acts of wrongdoing occurred in this instance.

Finally, we found the agreement between OPI and KBK Enterprises to be more involved than what was reported in the initial newspaper article. A key component of the agreement was a profit sharing arrangement between OPI and KBK Enterprises based on the resale price of OPI products sold by KBK Enterprises’ subsidiary, Key Industries. The terms for this arrangement were not clearly defined within the body of the agreement. These terms were spelled out in a memorandum from KBK Enterprises to

OPI. Our opinion is that this key issue should have been included in the body of the agreement in order to prevent any disputes between the two entities at a later date.

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## **I. BASIS FOR INVESTIGATION**

A news article published on the *WBNS 10TV* website on March 20, 2009, reported that the author of the article had investigated a business relationship between Ohio Penal Industries (“OPI”), a section within the Ohio Department of Rehabilitation and Correction (“ODRC”), and KBK Enterprises.<sup>1</sup> The article implied that this business relationship was at least partially formed between the two entities because ODRC Assistant Director Michael Randle and Keith B. Key, President of KBK Enterprises, were good friends and fraternity brothers. The article focused on the pricing of products manufactured by OPI and sold to KBK Enterprises. It was alleged that KBK Enterprises was purchasing the products at a substantially lower cost than that for which OPI would have sold the same products to state agencies.

## **II. ACTION TAKEN IN FURTHERANCE OF INVESTIGATION**

We interviewed ODRC employees, as well as employees of The Ohio State University (“OSU”) and KBK Enterprises. We also reviewed records and documents provided by ODRC, KBK Enterprises and OSU. Our office was assisted by the Ohio State Highway Patrol Office of Investigative Services throughout the investigation.

## **III. DISCUSSION**

### **History of Ohio Penal Industries**

Following the opening of the first state-operated Ohio prison in 1815, prison workshops were created. The work performed by the inmates was necessary for the upkeep of the prison. The skills of the employed inmates were wide ranging. These inmates were also

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<sup>1</sup> KBK Enterprises is the parent company of several subsidiaries. One of these subsidiaries is Key Industries, to which we refer throughout this report.

allowed to develop a “cottage industry” while incarcerated and permitted to sell their products through the guards to the general public. These were the first pseudo-contracts entered into by those from the prison and another party. It was also the beginning of inmates conducting business with the “outside.” In 1912, this work program evolved into what was known as the State Use Industries and, ultimately, in 1947, the program was named the Ohio Penal Industries.

OPI currently operates 40 shops in 20 correctional facilities throughout the state, as well as a product showroom at 1221 McKinley Avenue in Columbus, Ohio. Items manufactured by OPI are generally sold to other state agencies and, in some instances, to the private sector or private individuals. The types of products manufactured at these shops vary greatly – ranging from toilet paper to office furnishings. OPI also provides services to private companies by assembling kits and other items for the company and installing the items at the end user’s location. For these products and services, OPI receives payment from the purchaser or vendor. With regard to the services offered to vendors, OPI generally enters into a contract with the vendor for the service. For the fiscal year ending June 30, 2008, OPI’s sales totaled \$32,365,106.00. OPI currently operates as a self-sustaining operation within ODRC and draws little, if any, funding from the state’s General Revenue Fund.

According to ODRC, the success of OPI is measured by the lower number of inmates who return to incarceration after their release, rather than on the profit the program generates. Studies have shown that inmates who learn marketable skills while incarcerated and are able to find employment after being released have a much lower recidivism rate.

### **OPI/KBK Enterprises Background**

Sometime in the summer of 2005, KBK Enterprises approached ODRC with a re-entry plan to ease the transition of inmates back into society upon their release from incarceration. The plan was quite involved, and included work programs, mentorships

and housing for former inmates. This plan proved to be too large and complicated for the two parties to bring to fruition. Subsequently, the idea was tabled and other avenues for a working relationship between ODRC and KBK Enterprises were explored. Ultimately, KBK Enterprises was directed to former OPI Chief Robin Knab. Knab had been party to some of the discussions and meetings involving the re-entry program and was familiar with the ideas presented by KBK Enterprises. In April, 2007, a Memorandum of Understanding (“MOU”) (Exhibit A) was executed by OPI and KBK Enterprises. This MOU was an agreement between KBK Enterprises and OPI whereby KBK Enterprises would purchase OPI products and then resell these products to the private sector. In turn, KBK Enterprises was to share a portion of the profit with OPI. With this MOU, Key Industries, a subsidiary of KBK Enterprises, was formed and articles of organization were filed with the Secretary of State. The MOU was meant to be a precursor for a formal contract between OPI and Key Industries. However, the two parties could not come to terms and a contract was never executed.

With the release of the news article, the personal relationship between Randle and Key became public. Questions arose as to whether or not this relationship influenced the agreement between KBK Enterprises and OPI.

***Allegation: A personal relationship between ODRC Assistant Director Michael Randle and Keith Key influenced a business agreement between ODRC/OPI and KBK Enterprises.***

Michael Randle began working for ODRC in 1990 when he was hired as a Case Manager. Over the years he worked at various institutions and held several positions, including Deputy Warden, Warden and Deputy Director. In April, 2006, Randle was appointed the Assistant Director of ODRC. As the Assistant Director, Randle was second in charge and oversaw the administration and operation of the entire agency. Within the agency, he reported only to ODRC Director Terry Collins.

Prior to his employment with ODRC, Randle attended The Ohio State University where he obtained a bachelor’s degree in criminology. He continued his education and received



a master's degree in business administration from Ashland University. In 1986, while attending OSU, Randle joined the Omega Psi Phi fraternity where he met Keith Key. Key had also pledged the Omega Psi Phi fraternity and the two lived in the same fraternity house for approximately a year. In his interview, Randle told our office he considers Key a friend, but their contact over the years had been sporadic. Randle stated that some time around 2006, his contact with Key, along with other fraternity brothers, became more frequent. They began socializing more often and vacationed together as a group. Key's recollection of the history of his friendship with Randle confirms much of what Randle told us. Key believes, however, that their contact became more frequent some time in 2004.

In 2005, Key said he was approached by an ODRC employee about speaking at a Black History Month event at the Southeastern Correctional Facility in Lancaster, Ohio. Key accepted the invitation and spoke at the event. According to Key, he became interested in ODRC re-entry programs following this event. Key began conversations with ODRC, during which he discussed his ideas and plans for a re-entry program. These discussions continued, and Key said he was asked to speak at a re-entry program event held at the Mansfield Correctional Facility in October, 2005. There, Key met Ed Rhine, Deputy Director of Policy and Offender Re-Entry. Discussions and meetings between Key, Rhine and others, over Key's plan, continued throughout the remainder of 2005 and in 2006. According to those interviewed, Randle was only an occasional participant in these discussions and meetings.

In late 2006, it became apparent the proposed re-entry program, which had become a joint effort between KBK Enterprises and ODRC, was not possible. In light of this, ODRC and KBK Enterprises began exploring other options where KBK Enterprises could be involved in some type of re-entry program for former inmates. Ultimately, KBK Enterprises was put in touch with OPI and entered into an agreement where KBK Enterprises, now operating through its subsidiary, Key Industries, would purchase OPI products at cost and then resell the items. A portion of the profit from the resale would be shared with OPI.

In order to determine if Randle and Key's personal relationship had any bearing on this business arrangement, we interviewed OPI employees, as well as others at ODRC and Key Industries. We also examined records and memos, as well as e-mails and invoices sent between OPI and Key Industries.

We learned from our interviews with ODRC employees that Randle's role in the relationship between OPI and Key Industries was minimal. He would occasionally receive complaints from Key Industries and forward them to OPI to be resolved, but otherwise, he had no part in the day-to-day operations. We found one e-mail (Exhibit B) in which Randle provided suggestions for the business agreement, but no other correspondence of this type from Randle was found. E-mails written and received by others indicated that Randle was made aware of the ongoing negotiations and would occasionally have input or questions. None of those interviewed felt any undue pressure from Randle or the Director's Office to accommodate Key Industries or any of its employees. One person interviewed felt it was unusual that when Key Industries had an issue, they would contact Randle or someone else at the Director's Office seeking resolution, while other vendors would usually contact OPI directly with their concerns. Normally, these calls from Key Industries were followed by a phone call to OPI seeking information about the problem. All of those interviewed said that Randle and the Director's Office would support OPI's position in these matters.

We also learned from our interviews with both ODRC and Key Industries employees that the business relationship between the two entities was difficult and frustrating. This subsequently led to problems in negotiating the terms of a future contract. And these difficulties led to the February 5, 2009 termination of the April, 2007 agreement prior to its expiration.

We found, however, that Randle, by his own admission, did not notify Director Collins, or anyone else at ODRC, of his personal relationship with Key prior to the release of the newspaper article. Even though it was minimal, Randle had some involvement in the

business agreement between OPI and KBK Enterprises. As the Assistant Director of the agency, Randle should have realized the necessity of fully disclosing his personal relationship with Key to Director Collins prior to ODRC entering into any business agreements with Key's companies. He should have recused himself from any involvement in the business agreement between OPI and KBK Enterprises.

Accordingly, we found an appearance of impropriety on the part of Assistant Director Randle in this instance.

#### **IV. OTHER MATTERS**

##### **Prior Dealings Between ODRC and KBK Enterprises**

During our investigation, we learned of a prior business deal involving ODRC and KBK Enterprises. In 2004, while serving as Deputy Director of Administration and as the Chair for the Corrections Technology Committee, Randle attended a presentation by Elmo-Tech. Elmo-Tech is, among other things, a manufacturer of electronic monitoring devices and systems that can be used by correctional departments and facilities to track the movements of inmates. At this particular presentation, a group monitoring unit<sup>2</sup> was marketed. At the end of the presentation, Randle said he expressed an interest in this unit to the Elmo-Tech representative. Discussion ensued and, according to Randle, the Elmo-Tech representative indicated his company's desire to work with an Ohio company to sell their products.

Up to this point, Elmo-Tech, a company based in Israel, had no formal operations center in the United States but did have representatives and distributors working throughout the country. Randle said he provided the names of several Ohio companies, including KBK Enterprises, to the Elmo-Tech representative. Randle asserted the company names he provided were minority-owned businesses and that it was the desire of ODRC to conduct

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<sup>2</sup> This unit was marketed by Elmo-Tech under the proprietary name of "TRaCEr."

more business with minority-owned companies. Randle also said he provided the Elmo-Tech representative with the Ohio Department of Administrative Services contact information for a possible direct purchase from Elmo-Tech. According to our discussions with the Elmo-Tech representative, however, he only recalled being provided the name of Keith Key, the owner of KBK Enterprises. He also expressed that his company was indifferent to dealing with ODRC through another Ohio company. However, he felt that since Key's name was provided by Randle, this would be the way for his company to do business with ODRC.

Subsequent to this presentation, Elmo-Tech contacted Key and entered into a distributorship agreement with KBK Enterprises, thereby making KBK Enterprises the sole distributor for the Elmo-Tech group monitoring unit in Ohio. As such, any future purchases of the unit would have to be transacted through KBK Enterprises.

Some time after signing the distributor contract, Key sent a proposal (Exhibit C) for the purchase of eight packages of the group monitoring unit to ODRC and addressed the undated document to Randle. Key's proposal included a breakdown of costs for the components of the unit and reflected a "one time" overall discount of \$15,120.00. After this discount, the total for the eight complete packages included in the proposal was reduced to \$120,000.00.

After receiving a letter verifying the group monitoring unit to be a sole source product manufactured by Elmo-Tech, the process for obtaining a "Waiver of Competitive Selection" from the Ohio Controlling Board ("Controlling Board")<sup>3</sup> was begun. In the request submitted to the Controlling Board (Exhibit D), KBK Enterprises was identified as "the only authorized dealer for Elmo-Tech products in Ohio." During an interview, Randle stated he "may have even gone to the board on this" referring to testifying in front of the Controlling Board. He said it was not unusual for him to appear in front of the

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<sup>3</sup> The Ohio Controlling Board is authorized and governed by Chapter 127 of the Ohio Revised Code. Its primary duties are the transferring of appropriation authority between line items within an agency and granting waivers of competitive selection.

Controlling Board given the position he held at that time. On December 6, 2004, the Controlling Board approved the waiver which allowed ODRC to purchase the group monitoring units from KBK Enterprises.

In our conversations with two Elmo-Tech representatives, we were assured that ODRC could have purchased the group monitoring units directly from Elmo-Tech. When questioned, both believed KBK Enterprises purchased the eight packages of the unit from their company for around \$80,000.00. While neither Elmo-Tech representative could tell us how much the savings would have been had the units been purchased directly from the company, we were told it would have cost less for ODRC to purchase the units direct rather than through a third party where the markup was \$40,000.00. From documents we later received from Elmo-Tech, we know that the cost of the equipment to KBK Enterprises was \$80,000.00 (Exhibit E). According to an itemized pricing sheet (Exhibit F) we also received from the company, the cost of their product included two days of training. When interviewed, both Key and Randle implied that the price of the group monitoring unit charged to ODRC was due in part to the cost of training. However, this cost was already incorporated into the cost of the product sold to KBK Enterprises. And, in the itemized invoice from KBK Enterprises to ODRC (Exhibit G), there was no notation of training as a separate cost or that training was included as part of the overall price of the unit. Finally, the proposal memo from Key to Randle clearly states that two days of training would be provided at no cost for the initial order.

Overall, ODRC purchased the eight packages of the group monitoring unit at a 50% higher cost than it was sold to KBK Enterprises. Randle stated in his interview that had he known the cost of the unit if acquired from Elmo-Tech through a direct purchase, then ODRC would have dealt directly with the company.

In this instance, as with the other business arrangement between OPI and KBK Enterprises, Randle did not notify his superiors of the personal friendship that existed between him and Key. When questioned about whether or not he notified then Director Reginald Wilkinson, Randle said he had not. He stated he “was functioning in the

capacity of a Deputy Director for the Department of Corrections” and that he did not feel it was an issue.

Based on our investigation, it was clear that had Randle or ODRC explored the option of purchasing the group monitoring units directly from Elmo-Tech, the agency would have realized a substantial cost savings. Further, Randle’s actions were improper when he provided the name of Keith Key to the Elmo-Tech representative and then subsequently received a proposal from Key that was addressed to him alone. This proposal ultimately resulted in the requesting and granting of a waiver of competitive selection from the Controlling Board. Finally, Randle failed to divulge to his superiors the friendship that existed between him and Key prior and subsequent to the business transaction between ODRC and Key’s company, KBK Enterprises.

Accordingly, we found reasonable cause to believe that wrongful acts or omissions occurred in this instance.

### **The ODRC/OPI and KBK Enterprises Agreement**

The initial news article about the agreement between OPI and KBK Enterprises, dated March 20, 2009, would have the reader believe that only KBK Enterprises was profiting from the sale of the OPI products. This was simply not the case. Part of the agreement between OPI and KBK Enterprises was the previously-mentioned profit sharing arrangement. A follow-up article published in *The Columbus Dispatch*, a sister affiliate of *WBNS 10TV*, dated March 31, 2009, written by the same reporter, addressed the issue of the profit sharing arrangement, as well as the termination of the agreement between OPI and KBK Enterprises.

We reviewed the MOU executed between OPI and KBK Enterprises. We also interviewed key players who negotiated the terms of the MOU and those who worked within the parameters of the agreement following its execution. We found the MOU

document to be standard in form with all but one of the terms clearly spelled out. The profit sharing agreement between OPI and KBK Enterprises, which was somewhat unorthodox, was not addressed within the body of the MOU. The terms for this arrangement were later set out in a memo from Keith Key to former OPI Chief Robin Knab, both of whom signed the MOU. We also found an e-mail where Key Industries wanted to change the terms for this arrangement to their benefit. This was found to be unacceptable by OPI, and the terms of original memo stayed in place.

We learned that the desire to enter into this agreement with KBK Enterprises was, in part, due to the company's ability to do business with OSU. At one point a letter, specifically for the university, was drafted identifying Key Industries as being involved in a business arrangement with OPI and that the purchase of OPI products should go through Key Industries. We received a copy of this letter from the university. No one at OPI we spoke with knew of this letter which caused us to initially question its veracity. We were later able to verify the letter's authenticity and determined that it was drafted by Key Industries and forwarded by Keith Key to Randle for Director Collins' signature. Prior to this, OPI had little involvement with OSU, although they desired the business the university could provide. In this instance, Key Industries, in effect, "opened the door" for OPI to do business with OSU. This subsequently led to a large order to purchase OPI furnishings for the university through Key Industries. The order is to be delivered in 2010. However, since the termination of the April, 2007 agreement, Key Industries will not realize any pricing benefit other than a quantity discount which would be offered to any other private party or state agency based on the number of items purchased.

From the onset of our investigation, it was clear the business relationship between OPI and Key Industries was frustrating on both sides. We learned from OPI employees that problems between the two entities began almost immediately. Much of the controversy centered on claims that Key Industries did not understand how OPI operated. The same concerns were voiced by Key Industries, which held the belief that OPI had difficulty understanding private sector business operations. OPI claimed they never knew what the end user, who purchased the OPI products sold by Key Industries, was actually paying

for the items. By contrast, we were informed by those employed by Key Industries that their company was more than willing to divulge the sales price of the items but they were never asked by anyone from OPI. In the end, Key Industries provided an accounting to OPI of the final price of the items they sold. From this, OPI was able to calculate the amount they felt they were owed from the profit sharing arrangement. The total business transacted between OPI and Key Industries amounted to just over \$11,000.00. It was OPI's belief that they were owed \$3,234.86 in profit margin share. After some discussion between OPI and Key Industries, Keith Key paid the amount requested and so ended the agreement between the two.

A memo dated October 24, 2007, and signed by Director Collins, encouraged private vendors and non-state agencies to do business with Key Industries when purchasing OPI products. It lauded the partnership between OPI and Key Industries as an example of a private company and a component of state government working together and exhibiting the ability to "think outside the box." And, while we find no criticism with this thought process, we do have concerns with the MOU not clearly defining the terms for the profit sharing arrangement. While we believe this key issue should have found a place within the wording of the actual MOU document, we do not feel this oversight rises to the level of a wrongful act.

Accordingly, we did not find reasonable cause to believe a wrongful act occurred in this instance.



## V. CONCLUSION

One would believe, from the initial news article which spurred this investigation, that KBK Enterprises was the sole beneficiary of an agreement with OPI, and that the business relationship was the result of the personal friendship between ODRC Assistant Director Randle and Keith Key. We determined that this friendship had a minimal role in the OPI/KBK Enterprises business relationship. Nonetheless, Randle failed to disclose the friendship to his superior. As the Assistant Director, he should have known the necessity of notifying Director Collins of his friendship with Key, and he should have had no involvement in any aspect of formulating the business agreement.

OPI suffered no loss as a result of this business relationship. OPI was paid its production cost and, eventually, a portion of the profits from the resale of products sold to KBK Enterprises' subsidiary, Key Industries.

It appears this friendship between Randle and Key had a much more substantial role in arranging a separate business deal between ODRC and KBK Enterprises. In that instance, Randle not only provided Key's name to an Elmo-Tech representative, but also assisted in obtaining a waiver from the Controlling Board so ODRC could purchase a product through Key's company.

While there are no laws expressly prohibiting a state employee from doing this, provided the employee receives no personal benefit from the purchase, the referral and subsequent purchase clearly give the appearance of impropriety. We found no evidence to indicate Randle received any personal benefit from the purchase of the group monitoring units from KBK Enterprises. However, Randle failed to notify his superiors of the friendship that existed between him and Key. The appearance of impropriety in this instance is enhanced by the fact that ODRC could have purchased the product directly from Elmo-Tech at a lesser cost, thereby saving the state money.

Finally, we believe any key component in a business agreement should be clearly spelled out in the written documentation of the agreement. That was not the case in the MOU between OPI and KBK Enterprises. The profit sharing arrangement was not included in the actual document. In the long run, this led to problems with OPI collecting its share of profits from Key Industries.

# **EXHIBITS**

MEMORANDUM OF UNDERSTANDING

THIS Memorandum of Understanding (hereinafter referred to as the "MOU") is made and entered into as of this 4 day of April, 2007 by and between Keith B. Key Enterprises, LLC (hereinafter referred to as "KBK Enterprises") located at 3433 Agler Road, Suite 2900, Columbus, Ohio 43219 and the Ohio Penal Industries, located at 868 Freeway Drive North, Columbus, Ohio 43229 (hereinafter referred to as the "OPI"). KBK Enterprises and OPI shall collectively be known as the parties.

WHEREAS, the OPI manages an industrial training program for incarcerated offenders in and around the State of Ohio and is desirous of providing vocational training for these inmate-workers; and,

WHEREAS, the KBK Enterprises operates a company that believes it can offer additional training and marketing tools through affiliation with OPI; and,

WHEREAS, the parties will partner in developing appropriate business relationships that will assist in the training and job skill development of the OPI inmate workforce.

NOW THEREFORE, the parties in consideration of the mutual promises and covenants contained herein agree to the following provisions to help clarify the responsibility of the parties:

1. TERM This MOU shall be effective as of April 4, 2007 and shall continue for a period of 2 years following such effective date. Unless terminated as provided for in this MOU, this MOU shall automatically renew for successive 2-year periods.

2. THE PARTIES SHALL:

*State Prison Partnership*

- A. Agree on and coordinate the work opportunities to be provided OPI's inmate workforce.
- B. Mutually agree to establish a negotiated agreement setting forth the responsibilities of the parties (e.g., cost, equipment, production and delivery schedules and other activities) in order to carry out the purpose of this MOU.
- C. Approve any contract with any third party customer. KBK Enterprises understands that OPI must approve any third party contract for the provision of goods and services by the OPI inmate workforce.
- D. During the term of this MOU, not try to establish a business relationship with the other parties customers for the sale of products or services outlined in Exhibit A. The primary customers of OPI are Ohio State Agencies and its current customers as set forth in Exhibit B. For purposes of this MOU, Ohio State Agencies are governmental bodies of the State of Ohio. Accordingly, the customers of KBK Enterprises shall be all non-Ohio State Agencies except for OPI's customers set forth in Exhibit B. OPI may pursue other private sector customers as its contract partners for the provision of OPI's goods and services so long as KBK Enterprises does not have a contract to provide goods and services for that particular customer. *KBK -> OI*

3. THE OPI SHALL:

- A. Provide KBK Enterprises with sales, marketing, technical, administrative and production staff, inmate workers, machinery and equipment.
- B. Provide suitable locations and floor space in facilities where OPI training programs are currently in operation.
- C. Provide capital funding as needed, for the finishing of the facilities, per the mutually agreed upon specifications of the parties.

4. The KBK SHALL:

- A. Identify providers of goods and services to facilitate and expand the work opportunities of the OPI inmate workforce.
- B. Assist in the marketing of the OPI for purposes of this MOU.

C. Purchase equipment for the provision of goods and services by the OPI inmate workforce.

5. THE PROGRAM:

The parties will implement this MOU through a program utilizing one or more shops listed in Exhibit A based on program availability and capacities. The parties shall evaluate the program and agree upon future work programs related to this MOU.

The program will be finalized in a negotiated agreement between the parties. The basics of the agreement will be as follows: the number of inmate workers; what party is responsible for the provision of raw materials; the value added service function; and when KBK will receive the finished goods and/or services. OPI traditionally bases per hour, per inmate cost to the contract on the cost of salaries of OPI staff that are responsible for insuring that the numbers of inmate workers are met, the quality of inmate work performance is controlled including production and delivery schedules and inmates are paid. The cost of the contract to KBK Enterprises is also based on the hourly wages of the inmates and administrative overhead costs. The OPI will provide the facility and cover utility costs. Responsibility of each party to provide equipment is also addressed.

All future work programs will be similarly finalized in a negotiated agreement between the parties.

*at  
private  
property  
of  
KBK  
received  
used materials  
no attachment  
of KBK needed*

6. SHARED INFORMATION:

The parties agree to share with each other, to the extent practical, information deemed public that will be helpful to the parties as they seek to achieve the objectives of this MOU.

7. NO FINANCIAL COMMITMENT:

The parties to this MOU are not making any financial commitment to each other. Each party shall bear its own expenses associated with pursuing the activities related to this MOU.

8. TERMINATION OF THE MOU:

This MOU may be terminated by either party upon 90-days prior written notice by the terminating party to the other party.

9. STATE PERSONNEL:

During the term of this MOU and for a period of one year after completion of this MOU, neither party will hire nor otherwise contract for the services of any employee of the other party involved with this MOU without the consent of the other party.

10. MODIFICATION:

Either party to this MOU may, in writing, request a modification or amendment to this MOU. The party receiving the request shall have thirty (30) business days to respond to the request. Such modification or amendments shall become effective only when signed and dated by both parties.

11. HEADINGS:

The headings used herein are for the sole sake of convenience and will not be used to interpret any section.

12. NOTICES:

For any notice under this agreement to be effective, it must be in writing and sent by hand, certified or registered mail to the mailing address of the appropriate representative as provided below unless one party has notified the other party, in accordance with the provisions of this section of a new mailing address:

For OPI: Robin Knab, Chief of OPI  
 OPI Correctional Industries  
 868 Freeway Drive North, Bldg. 7  
 Columbus, OH 43229

For KBK Enterprises: Keith B. Key  
 Keith B. Key Enterprises, LLC  
 3433 Agler Road Suite 2900  
 Columbus, Ohio 43219

13. CONFLICTS OF INTEREST:

Personnel of the KBK Enterprises may not voluntarily acquire any personal interest that conflicts with their responsibilities under this MOU. Additionally, the KBK Enterprises will not knowingly permit any public official or public employee who has any responsibilities related to this MOU to acquire an interest in anything or any entity under KBK Enterprises' control if such an interest would conflict with that official or employee's duties. The KBK Enterprises will disclose to the OPI any such person who acquires an incompatible or conflicting personal interest related to this MOU and the KBK Enterprises will take steps to ensure that such a person does not participate in any action affecting the work under this MOU. This will not apply when the OPI has determined that said person's participation in any such action would not be contrary to the public interest.

14. OHIO ETHICS AND ELECTIONS LAW:

The KBK Enterprises affirms that, as applicable to the KBK Enterprises, no party listed in Divisions (I) or (J) of Section 3517.13 of the ORC or spouse of such party has made, as an individual, within the two previous calendar years, one or more contributions totaling in excess of \$1,000.00 to the Governor of the State of Ohio or to his campaign committees.

KBK further affirms that it is currently in compliance and will continue to adhere to the requirements of Ohio Ethics Law as provided in Section 102.04 of the ORC.

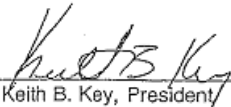
15. INJUNCTIVE RELIEF:


Nothing in this MOU is intended to limit KBK Enterprises' or OPI's right to injunctive relief if such is deemed necessary to protect its interests.

16. MULTIPLE COUNTERPARTS

This MOU may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this MOU to be executed by Keith B. Key Enterprises, LLC and the Ohio Penal Industries as of the day and year first set forth above.


  
 Keith B. Key, President  
 Keith B. Key Enterprises, LLC  
 4/4/07  
 Date

  
 Robin Knab, Chief  
 Ohio Penal Industries  
 04/04/07  
 Date

## EXHIBIT B

? Attachments can contain viruses that may harm your computer. Attachments may not display correctly.

**Rhine, Edward**

**From:** Randle, Michael **Sent:** Fri 12/22/2006 1:24 PM  
**To:** 'Keith Key'  
**Cc:** Knab, Robin; Hurley, Pat; Rhine, Edward; Woods, Gwendolyn; Randle, Gwendolyn  
**Subject:** Recent telephone conversation  
**Attachments:**  Stone room.pdf(791KB)

Keith thanks for taking the time to discuss your concerns regarding the ORI initiative. I can assure you that we are certainly committed to the same goals of helping offenders become productive citizens through meaningful employment experiences both inside and outside of prison. We also realize that it can be sometimes frustrating maneuvering through a large organization to accomplish such a unique initiative such as ORI. Having said that, I would like to attempt to segregate what I consider to be the two main components of the initiative and propose approaches to each. It is my belief that by doing this we could probably demonstrate some progress in the near future.

1. The establishment of a private partnership with KBK for a service industry i.e.... packaging, refurbishing, printing ect....

- a. **Selection of a site:** NCCTF currently has a 10,000 square ft. ruffed out space that is ideal for an operation such as this. I have spoken with Warden Thomas and she is very interested in this opportunity.
- b. **Partnership parameters:** OPI currently has several private partnerships such as this where the partner contracts with OPI for a number of workers. The partner is responsible for the raw materials, the inmates perform the value added function and the partner receives the finished goods. OPI traditionally basis the per hour per inmate on: the cost on the salary of one OPI employee that is responsible for ensuring workers levels are maintained and paid. The hourly wage of the inmates, and administrative overhead cost. The institution/DRC provides the site and utility cost.
- c. **Site adaptation and equipment purchases:** CAM would identify capital funds and be responsible for finishing out the area at NCCTF to specs. Of KBK and OPI. The cost of equipment for startup if necessary should be negotiated between Robin and Keith.

2. **ORI proposal:** There have been several meetings regarding ORI, including several trips to other state DOC's to benchmark. A formal proposal that identifies tasks, timeframes, resource requirements and deliverables should be submitted for my and the Directors review. I believe this should occur prior to site selection. It is my understanding that a key component of the ORI proposal was to be relationship with OPI where KBK enters into a contract with OPI to sell OPI goods to various Ohio businesses. I would suggest that Robin and Keith consider the following:

- a. **Rather than KBK having a contract to sell OPI items to Ohio businesses, KBK would enter into an agreement with OPI for special pricing.** This will essentially allow KBK to become retailer for OPI products. This would not be unprecedented as OPI currently offers special pricing via STS contracts, but would require a competitive process.
- b. **The RFP could also identify the key ORI requirements ie... employment placement service after release ect.,...** obviously The lawyers would have to weigh in but I believe some form of this concept is doable as long as there is a competitive process. Ed Rhine should consult with legal and OPI to develop a framework prior to approaching KBK so that we know exactly what we want as well as what we are in a position to offer.

Keith I appreciate your patience and commitment. Please consider the above approaches to jump starting our partnership and feel free to comment back directly to me, Robin or Ed.

<https://mail.em.ohio.gov/exchange/Edward.Rhine/Inbox/Recent%20telephone%20conversatio...> 12/24/2006

I would like the DRC staff copied on this to submit questions, comments and or concerns. As these are based on my bird's eyes view of this matter and I understand there may be things that I have missed. Your comments on Issue one should to be submitted to Robin Knab and on issue two to Gwen Woods.

Thanks and Happy Holidays

**Mike Randle, Assistant Director**

**Ohio Department of Rehabilitation and Correction**

**1050 Freeway Drive North**

**Columbus OH 43229**

**614-752-1162 phone**

**614-752-1171 fax**

**[michael.randle@odrc.state.oh.us](mailto:michael.randle@odrc.state.oh.us)**



EXHIBIT C

# KBK ENTERPRISES

---

Michael Randle  
Deputy Director  
Ohio Department of Rehabilitation and Correction  
868 Freeway Drive North  
Columbus, Ohio 43229

Dear Mr. Randle

The following is the price list and package information from KBK Enterprises for the Tracer Group Monitoring Unit. KBK Enterprises is the authorized dealer of Elmo Tech products. In the interest of developing a relationship with the Ohio Department of Rehabilitation and Correction, we are offering this one time price discount on your product package. The cost for eight packages is \$120,000.00.

The package includes:

1 Tracer Group Monitoring Unit  
10 tags  
1 MRD  
50 clips (5 per tag)  
1 Additional set of straps for each tag  
1 assembly tool  
1 screwdriver

Additionally, 2 days of training for the correctional officers will be provided at no cost for this initial order.

KBK Enterprises is a minority owned company and has applied for its minority certification. Thank you for considering KBK Enterprises for your security needs.

If you have any questions, please contact me at (614) 509-6664.

Sincerely,

*Keith B. Key*  
Keith B. Key  
Chief Executive Officer

3433 Agler Road, Suite 2000  
Columbus, Ohio 43219

KBK 01606

STATE OF OHIO  
 CONTROLLING BOARD  
 30 East Broad Street, 34th Floor  
 Columbus, Ohio 43266-0411  
 (614)644-6441 FAX: (614)466-3813

**OPERATING REQUEST**

**EXHIBIT D**

83

(4)

Controlling Board No.  
 DRC589

**GENERAL INFORMATION**

Agency Name <b>REHABILITATION &amp; CORRECTION</b>	Controlling Board Authorization Requested <input checked="" type="radio"/> Waiver of Competitive Selection (Revised Code Section 127.16B) <input type="radio"/> Other Statutory Authority/Bill Section:	Bill No. H.B. 95
---	---	---------------------

**WAIVER INFORMATION**


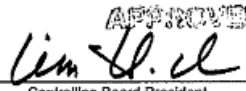
Complete this section ONLY if a WAIVER OF COMPETITIVE SELECTION is being requested. If requesting a waiver for more than one vendors, use VENDOR CONTINUATION FORM and leave this section blank.

Vendor Name KBK Enterprises		Vendor Address of Principal Place of Business 3433 Agler Road, Suite 2000		
Vendor ID Number 83-0407331	Waiver Amount FY ( 05 ) \$120,000.00 FY ( )	City Columbus	State OH	County (Ohio Only) Franklin

**FUNDING INFORMATION**

Fund Group	Fund Code	Appropriation Line Item	Appropriation Line Item Name	Amount Requested for Approval/Waiver	
FED	323	501 - 619	Federal Grants	FY ( 05 ) \$120,000.00	FY ( )
		-		FY ( )	FY ( )
		-		FY ( )	FY ( )

**SIGNATURES**

 Agency Director or Authorized Agent	On The Date Of <u>12/6/04</u>
<u>11/22/2004</u> Date	 Controlling Board President

**AGENCY CONTACT**

Name <u>Donna Lehner</u>	Title <u>Controlling Board Administrator</u>
Phone <u>(614) 728-1934</u>	Fax <u>(614) 728-1578</u>
E-Mail <u>donna.lehner@odrc.state.oh.us</u>	

**REQUIRED EXPLANATION OF REQUEST**

The Department of Rehabilitation and Correction respectfully requests Controlling Board approval to waive competitive selection in the amount of \$120,000.00 for Fiscal Year 2005 to purchase TRaCER Group Monitoring Unit Packages from KBK Enterprises, Columbus, Franklin County, for the Community Release Monitoring project.

Currently the Department sends incarcerated offenders out into the community on a daily basis. Correctional employees supervise these offenders while they work on various community service projects, at construction and asbestos abatement work sites, on agricultural farm locations and OPI modular office furniture installation crews. Depending on the security classification, these offenders may work under periodic supervision outside the perimeter security fence or off institution grounds; however, supervision is critical and can become complex when supervising multiple offenders.

The Department just recently became aware of this technology which will enable the correctional employees to supervise offenders while they work on various community service projects, at construction and asbestos abatement work sites, on farm locations and other work crews that operate outside prison grounds. Additionally, the Department was able to secure grant funding for this project.

Approval of this request will enable the Department to purchase eight (8) TRaCER Group Monitoring Unit Packages to be utilized by the following institutions and work crews:

- 1.) Trumbull Correctional Institution
- 2.) Noble Correctional Institution
- 3.) Franklin Pre-Release Center
- 4.) Pickaway Correctional Center
- 5.) OPI construction work crews [two separate crews]
- 6.) OPI asbestos abatement work crew
- 7.) OPI Distribution Center

The TRaCER monitoring unit is portable, wireless and capable of monitoring groups of 100-200 offenders within a 300-foot radius through four definable range settings. The unit can be carried or attached to a correctional employees' belt enabling the employee to effectively and more efficiently supervise inmates in a mobile work environment. The monitoring range of the unit provides increased effectiveness in supervising construction and asbestos abatement inmate work crews. In part, this is because of the unique challenge of often times having inmates work on job sites involving multiple floors or locations and also because of the need to employ sufficient containment restrictions with regard to achieving effective asbestos abatement. Upon demand, the monitoring range can be widened, effectively doubling it, when the need exists. The unit receives signals from the tags worn by the offenders. Any attempt to tamper with, remove a tag or depart from a designated monitoring range will trigger an audible alarm on the monitoring unit itself. The name of the offender who has tampered with the tag or gone out of range will instantly appear on the LCD screen of the correctional supervisor's hand-held unit. This is a most important feature since the first few minutes of any escape are critical to the successful recapture of an offender.

After an extensive review of electronic monitoring products, the TRaCER unit was found to be the only product that offered a portable unit. This feature enables the correctional supervisor to be mobile while supervising. This is a significant benefit to OPI (Ohio Penal Industry) inmate work crew supervisors, since an integral part of their role in the Industrial Training Program involves giving job direction as well as performing surveillance of inmate work crews. Other products that were considered had to be mounted inside a vehicle. This required the supervisor to remain in the vehicle at all times. Yet, another product that was looked at, required the offender to wear an ankle bracelet, tethered to a device, which was then clipped to the inmate's belt. This feature creates a potential safety hazard depending upon the type of work being performed by an inmate. Several more products offered GPS (Global Positioning System) tracking capabilities which necessitate interface with an off-site monitoring service. While this type of functionality is an effective feature for some electronic monitoring applications, it also generates the issue of an on-going expense for an outside monitoring service which is not a requirement with the TRaCER unit.

The Elmo Tech Tracer unit was found to be the only product in the market that offered a portable unit. KBK Enterprises is currently the only authorized dealer of Elmo Tech products in Ohio.

STATE OF OHIO  
CONTROLLING BOARD  
30 East Broad Street, 34th Floor  
Columbus, Ohio 43268-0411  
(614)644-6441 FAX: (614)466-3613

**OPERATING REQUEST**

Page 3 of 3

Controlling Board No.  
DRC589

At this time, the Department is requesting Controlling Board approval to purchase eight (8) TRaCER Group Monitoring units packages which includes two (2) days of training for correctional staff. This request is in accordance with Section 127.16(B)(1).

Attachments:

Criteria for Selection Questionnaires  
Approved Request for Release and Permits  
Sole Source Letter  
Quotation  
Product Information

**Responses to Required Information Questions  
KBK Enterprises**

1. **Identify the supply or supplies/equipment and provide the amount of each item.**  
Eight Tracer Group Monitoring unit packages totaling \$120,000. Each package includes:
  - 1 Tracer Group Monitoring Unit
  - 10 tags
  - 1 Manual Reset Device
  - 50 clips (5 per tag)
  - 1 Additional set of straps for each tag
  - 1 assembly tool
  - 1 screwdriver

2. **Cite the object code of expense being used for this purchase.** 370

3. **Selection Process: Was this purchase subject to selection by a Request for Proposal (RFP) process?**

No. Upon review of the electronic monitoring products currently available, the Tracer unit was the only portable unit that enabled the work crew supervisor to be mobile while supervising and in the case of the OPI work crews to provide necessary instruction to the work crew as part of the industry training program. A similar product had to be mounted inside a vehicle which would require the work crew supervisor to remain in the vehicle at all times. Another unit required the offender to wear an ankle bracelet that was tethered to a device that clipped to their belt. This feature creates a potential hazard based on the typical work performed by the work crews. Several products offer GPS tracking capability tied to a vendor's monitoring center. While this functionality is a great feature for some electronic monitoring applications, it is an on-going expense that is not required with the Tracer unit.

4. **Is this contractor in compliance with Buy America and Buy Ohio? Explain.**  
Yes, this vendor is located in Ohio.

Lehner, Donna

---

**From:** Sanders, Kelly  
**Sent:** Wednesday, November 10, 2004 7:22 AM  
**To:** Lehner, Donna  
**Cc:** Randle, Michael; Fiant, Colleen  
**Subject:** FW: Request Number 1357 has been approved-KBK

\*\*\*\*\*  
Kelly M. Sanders  
Chief Fiscal Officer  
Division of Business Administration  
Ohio Department of Rehabilitation and Correction  
868 Freeway Drive North  
Columbus, Ohio 43229  
(614) 752-1346 fax (614) 728-1578  
Kelly.Sanders@odrc.state.oh.us

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

**From:** oit.itpurch.admin@oit.ohio.gov [mailto:oit.itpurch.admin@oit.ohio.gov]  
**Sent:** Wednesday, November 10, 2004 6:00 AM  
**To:** ~~Sanders, Kelly; Sanders, Kelly; Odimegwu, Juliana~~  
**Cc:** Reichenbach, Bruce; Odimegwu, Juliana  
**Subject:** Request Number 1357 has been approved

We have received a copy of your Controlling Board request numbered 1357 (Tracer Group Monitoring Unit) to contract with KBK Enterprises. This Release and Permit Number SDC DRC 05 0143 has now been entered into the Central Accounting System. It will be in effect through July 01, 2005, and the procurement is not to exceed \$120,000.00. Object Code(s) 370, 170-01 should be used for this purchase.

This purchase must be procured through the Ohio Office of Information Technology's Investment and Governance Division. The Ohio Department of Rehabilitation and Correction is not exempt from their provisions, procedures or any applicable Executive Orders.

If you need further information, please contact Acquisition Analyst, Bruce Reichenbach at 614-466-7910, e-mail: bruce.reichenbach@ohio.gov.

Sincerely,  
Mary F. Carroll  
Deputy State Chief Information Officer  
Investment and Governance Division  
Office of Information Technology

DRC05700



Mike Randle, Deputy Director  
Office of Administration  
Department of Rehabilitations and Corrections  
1050 Freeway Drive, North  
Columbus, Ohio 43329

Date: September 2, 2004  
Our Ref: Sole Source Letter.doc

Dear Mr. Randle,

**Re: Requested Letter Indicating And Verifying TRaCER Group Monitoring Unit Is A Sole-Source Product.**

The Department of Rehabilitations and Corrections ("Department") has expressed interest in the TRaCER Group Monitoring Unit. The purpose of this letter is to inform the Department that the unique capabilities of the TRaCER Group Monitoring Unit are only manufactured by Elmo Tech, and therefore the unit is a sole source product.

Importantly, the Department does not have to purchase the units through competitive selection because it is not possible or advantageous to purchase the capabilities of the TRaCER unit from another vendor because of its sole source nature.

Specifically, there are four components of the TRaCER Unit that makes this product sole source. This is documented in the attached document "TRaCER Group Monitoring Unit.pdf"

Please let me know if you have any questions or need any further information regarding this sole source product letter.

Sincerely,

Andrew Cohen



## KBK ENTERPRISES

---

Michael Randle  
Deputy Director  
Ohio Department of Rehabilitation and Correction  
868 Freeway Drive North  
Columbus, Ohio 43229

Dear Mr. Randle

The following is the price list and package information from KBK Enterprises for the Tracer Group Monitoring Unit. KBK Enterprises is the authorized dealer of Elmo Tech products. In the interest of developing a relationship with the Ohio Department of Rehabilitation and Correction, we are offering this one time price discount on your product package. The cost for eight packages is \$120,000.00.

---

The package includes:

1 Tracer Group Monitoring Unit  
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1 MRD  
50 clips (5 per tag)  
1 Additional set of straps for each tag  
1 assembly tool  
1 screwdriver

Additionally, 2 days of training for the correctional officers will be provided at no cost for this initial order.

KBK Enterprises is a minority owned company and has applied for its minority certification. Thank you for considering KBK Enterprises for your security needs.

If you have any questions, please contact me at (614) 509-6664.

Sincerely,

*Keith B. Key*  
Keith B. Key  
Chief Executive Officer

3433 Agler Road, Suite 2000  
Columbus, Ohio 43219



# EXHIBIT E

ElmoTech Ltd.  
 2 Habarzel st, PO Box 13236  
 Tel Aviv, 61132  
 Israel  
 Tel.: +972-3-7671700  
 Fax: +972-3-7671701



URL: <http://www.elmotech.com>

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To:  
 KBK Enterprises  
 3433 Agler Road, Suite 2900  
 Columbus OH 43219  
 USA  
 Attn: Keith Key  
 Tel.: [REDACTED]  
 Fax: 614.337.1291  
 Company Number: 830407331

Invoice Date: 12/28/04

## Invoice ETI40515 - Original

Ln	Document	Order	Your Order	Part Number	Your Part Number	Part Description	Part Spec 1	Work Order/Lot	Quantity	Unit Price	Extended Price
1	ETP40784	ETSO0657	DRC 589-05	002908500	GMU Tracer Revr	MU-800 V1.2 TRACER PACK 318MHz			8.00 ea	USD 10,000.00	80,000.00
2	ETP40784	ETSO0657	DRC 589-05	002108400	Transmr TXL700	TXL-CC 18M 8 DB PACK ST-LS USA	LSQ-TXL-700		80.00 ea	USD 0.00	0.00
3	ETP40784	ETSO0657	DRC 589-05	003410200	MRD Elctrc Key	MRD - 20SEC-MS-AB-S			8.00 ea	USD 0.00	0.00
4	ETP40784	ETSO0657	DRC 589-05	32130820	PS plstc strap	STRAP "S130" FOR TX-L BLK		INJ0910	80.00 ea	USD 0.00	0.00
5	ETP40784	ETSO0657	DRC 589-05	32130821	Med plstc strap	STRAP "L150" FOR TX-L BLK		INJ0907	80.00 ea	USD 0.00	0.00
6	ETP40784	ETSO0657	DRC 589-05	32140821	Plstc lock clip	ASSY CLIPS FEMALE+MALE FOR TXL			4,000.00 ea	USD 0.00	0.00
7	ETP40784	ETSO0657	DRC 589-05	34100821	Screwdriver	SCREW DRIVER 5NAX EYE FOR TX	8205.40		8.00 ea	USD 0.00	0.00
8	ETP40784	ETSO0657	DRC 589-05	34100822	Locking Pliers	PLIERS STRAP LOCKER FOR TX-L		PAINT 024	8.00 ea	USD 0.00	0.00
<b>TOTAL</b>										<b>USD 80,000.00</b>	

Pay by: 03/01/05  
 Document: ETP40784  
 Order: ETSO0657  
 Your Order: DRC589-05  
 Customer Number: 12111219

Deposit Payment to Elmo-Tech Ltd.  
 Bank: United Mizrahi Bank Ltd. (20)  
 Branch: 481  
 Account: [REDACTED]  
 Address: 48, Lilliblum St. Tel-Aviv 615134, SWIFT: MIZBILIT

KBK Enterprises EIN # [REDACTED]

These items are FCC approved  
 FCC ID: LSQ-TXL-700, LSQ-MU-800

HC 8527.80, 8525.10

Refers to your PO: DRC589-05

"ElmoTech Ltd. certifies that the contained in this shipment is according to the relevant standards and has undergone the necessary quality control before shipment. Elmo-Tech Ltd. certifies that any repaired equipment contained in this shipment has been repaired and tested according to the relevant standards. Elmo-Tech Ltd. is ISO 9001 certified".

Country of origin: Israel.  
 Export ID: 511951444

## EXHIBIT F

2. Table 1 – TRaCER component price-list

Item	Description	Quantity	Unit Price (US\$)	Comments
1	TRaCER group monitoring unit RF receiver <sup>1,2</sup> , licensed for group tracking	1 to 10	6,500	Includes proprietary software license for TRaCER software only.
		11 - 20	6,000	
		21 - 50	5,200	
		Over 51	3,000	
1.a	Additional built in license for mobile monitoring ("Drive by")	Unlimited	1,000 per unit	This is an add-on feature to the TRaCER unit
2	Tag <sup>3</sup>	Up to 10	550	Incorporates handling and shipping
		11 to 500	500	Tag compatible with ElmoTech's wireless inmate tracking system
		500 and >	450	
3	Data Extension Unit	Up to 10	1,500	One repeater only per TRaCER system
		Over 11	1,300	
4	PC software	Unlimited	5,000	TRaCER unit may work independently of PC software

3. Table 2 - Consumable and accessories price list

Item	Description	Unit Price (US\$)	Comments
1	Manual Reset Device (MRD)	120	Electronic key, used to enable and disable the tag. The key holder size device can be carried by correctional officer. One MRD is compatible for all tags
2	One - time fastening clip	3.0	Clip secures the strap after installing the tag on a person, can not be opened without braking, and once broken, should be replaced
3	Strap, single side	17	Straps are re-usable straps and may be replaced on site if damaged
4	Assembly tool (Plier)	25	Used to secure (lock) the clip into place
5	Screw driver for secured screws	25	Unique screwdriver used to change straps. Screwdriver compatible with unique snake eye screw that is used to fasten the strap

<sup>1</sup> Price Includes 2 days of training and product familiarity on first order only

<sup>2</sup> Price Includes 1 Manual Reset Device, 1 assembly tool, 1 screw driver

<sup>3</sup> Includes additional set of straps and 50 clips

6	Car mounted antenna kit	300	TRaCER unit antenna may be exchanged with a car kit antenna and mounted on the vehicle roof with the unit laying inside the vehicle
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#### 4. Maintenance Price –list

Two maintenance packages are offered to Elmo-Tech customers, for this product:

4.1. The first is a 18% per annum of the equipment charge, which would provides repair to all hardware components, transmitter and TRaCER unit, (excluding shipping to manufacturer, consumable items, physical equipment damages and Transmitter battery replacement<sup>4</sup>).

The second option is one based on Time and Material.

#### 4.2. Table 3 – TRaCER system “Time and Material” Price-list

Item	Description	Unit Price (US\$)
1	Minimum charge <sup>5</sup>	105.0
2	Battery Replacement	250.0
3	CPU Board Replacement	2,900.0
4	CPU Board Repair	1,450.0
5	LCD Display Replacement	700.0
6	LCD Display Board Repair	350.0
7	Front Plastic Cover	150.0
8	Rear Plastic Cover	150.0
9	Antenna repair	250.0
10	RF Module Replacement	760.0
11	RF Module Repair	380.0
12	Other components repair	250.0

<sup>4</sup> See Table 4

<sup>5</sup> Minimum charge includes: handling, reception testing and fault analysis, administration, final testing and shipment from manufacturer to customer

5. Table 4 – Elmo-Tech tag Time and Material Price-list

Item	Description	Unit Price (US\$)	
1	Minimum charge <sup>6</sup>	95	
2	CPU Board Replace	365	
3	CPU Board Repair	285	
4	Battery Replacement <sup>7</sup>	Tag under maintenance agreement	100.0
		Tag not under maintenance agreement	150.0
5	Broken Pin	130	
6	Broken Plastic	130	
7	Replace Components	155	

6. Additional comments, terms and conditions

1. Additional call-out fee for training - \$700 / day + travel and per diem
2. Upon new order, price-list as depicted in Exhibit B will include shipping and handling charges.
3. For Repairs, Distributor will pay the shipment to Elmo-Tech and upon repair, ElmoTech will pay for shipment to Distributor.

Formatted: Bullets and Numbering

<sup>6</sup> Minimum charge includes: handling, reception testing and fault analysis, administration, final testing and shipment from manufacturer to customer

<sup>7</sup> 3-year battery life is provided for ankle tag. New tag casing is included in the battery replacement.

**KBK Enterprises**  
**3433 Agler Road, Suite 2000**  
**Columbus, Ohio 43219**

**EXHIBIT G**

Product Description	Unit Price	Quantity	Total
<b>TRaCER Component</b>			
TRaCER group monitoring unit RF receiver, licensed for group tracking	\$9,286	8	\$74,288
Additional built in license for mobile monitoring ("Drive By")	\$1,429		
Tag	\$714	80	\$57,120
Data Extension Unit	\$2,143		
PC Software	\$7,143		
<b>Consumable and accessories</b>			
Manual Reset Device (MRD)	\$171	8	\$1,368
One-time fastening clip	\$4	400	\$1,600
Strap, single side	\$21	8	\$168
Assembly tool (plier)	\$36	8	\$288
Screw driver for secured screws	\$36	8	\$288
Car mounted antenna kit	\$426		
<b>TRaCER system time and material</b>			
Minimum charge	\$214		
Battery Replacement	\$357		
CPU Board Replacement	\$4,143		
CPU Board Repair	\$2,071		
LCD Display Replacement	\$1,000		
LCD Display Board Repair	\$500		
Front Plastic Cover	\$214		
Rear Plastic Cover	\$214		
Antenna Repair	\$357		
RF Module Replacment	\$1,088		
RF Module Repair	\$543		
Other Components Repair	\$357		
<b>Elmo-Tech tag time and material</b>			
Minimum Charge	\$136		
CPU Board Replacement	\$521		
CPU Board Repair	\$407		
Battery Replacement	\$214		
Broken Pin	\$186		
Broken Plastic	\$186		
Replacement Components	\$221		
		Subtotal	\$135,120.00
		Discount	\$15,120.00
		Shipping/Handling	
		<b>Total</b>	<b>\$120,000.00</b>

*Thank you for doing business with KBK Enterprises*