

EXHIBIT 12

To: Leader Members
From: Michael T. McKibben
 Founder, CEO & Senior Manager
Subject: ... Leader Report
Date: December 10, 2001

Proprietary & Confidential

Do not make copies. Do not distribute. Store securely.
Subject to Trade Secrets Law and the Leader Proprietary & Confidentiality Agreement.

Holiday Greetings! I hope this letter finds you healthy and happy at this special time of year. Speaking for myself, I know that I am hugging my loved ones just a little tighter this year and appreciating them just a little more after the events of September 11.

I am pleased to bring you a strong report on the state of the company as we move into this 2001 holiday season. This is the first printed communication I have sent to all our members since September 11, so please permit me to put those events in a little Leader context.

While all of us in the Leader team work tirelessly, we have heavy hearts. Reports are still coming in from our members in the New York and New Jersey areas of family, friends, neighbors, colleagues and acquaintances who died in the tragedy of September 11, 2001. We hear about the recurring nightmares among the children of members who live near Ground Zero. One Leader member lost 5 in his company plus the loss of the 3-year old son of an employee who was a passenger on one of the planes. Another Leader member attended 9 funerals in the span of two weeks – all services for dads who left grieving widows and young children. One Leader Director lost his best friend who worked on the 104th floor of Tower 1. Yet another Leader Director was a good friend of conservative commentator Barbara Olson, wife of the Solicitor General, who was a passenger on American Flight 77 that crashed into the Pentagon. Unfortunately, we could fill pages relating similar stories.



United We Stand

Our corporate website at www.leader.com expresses some of our feelings. I think the additional thing I will say is that we have suddenly become more aware of what it means to be American and what it means to live in a *free country*. We are not perfect, for sure, but our Founding Fathers, in their wisdom and guided by God, did set in motion a new type of governance on this planet; a governance that depends upon moral men and women; a type of governance that gives hope and opportunity to the entrepreneurial spirit. Leader is a good example of that. Back in 1997 I had an idea for a new business and new product platform. Armed with that idea (and little else), I set up office in our spare bedroom and began planning for the company that is now Leader Technologies. We had no enterprise sponsors, no deep pockets, no insider relationships... just a dream, sheer determination and a country where dreams can be realized if one is willing to work hard. **Only in America**. Others like Ben Zacks, Michael Greulich, Adam Steiger, Brad Whiteman, Major General Freeze, Jeff Lamb, Steve & Tina Engle, and Karen Houser caught the vision (forgive me for not naming every Leader insider here – please see their names at the company website under “Management”). We

Proprietary & Confidential

Do not make copies. Do not distribute. Store securely.

Subject to Trade Secrets Law and the Leader Proprietary & Confidentiality Agreement.

EXHIBIT 301
McKibben Zacks
(WITNESS) (DATE)
JANIS JENNINGS, CSR 3942

HIGHLY CONFIDENTIAL - ATTORNEYS EYES ONLY

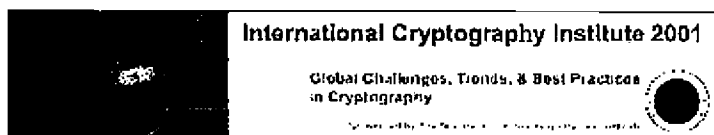
LTI_014121

DEFENDANT'S EXHIBIT
DTX 0178
CASE NO. 1:08-CV-00862-LPS

gained traction steadily. Along the way we met each of you. You caught the vision. The rest is history that brings us to today and the main purpose of this letter which is to set the wheels in motion for the next phase of growth in our company.

Whatever it is about our country that makes Leader possible is some of what is unique about America. We must hold fast to these unique qualities and make sure we preserve those lofty principles for posterity.

We are pleased to report the following highlights of the successful work efforts of the Leader team. This list is by no means comprehensive, nor can it convey the significant levels of "behind the scenes" effort underway. I can tell you that the length and breadth of Leader's sales, marketing and alliance-building expands daily in commercial, academic and government circles. Very powerful and influential people are being introduced to Leader and our technology. There is *much interest and enthusiasm* for the breakthroughs we have made in communications technology.



For example, just last week I attended with our Director Ed Detwiler and CTO Jeff Lamb the invitation-only International

Cryptography¹ Institute 2001 in Washington D.C. Speaker after speaker discussed the state of modern computing and laid out their recommended agendas for the next decade. Those agendas had **Leader2Leader™** written all over them, metaphorically speaking. Many of the United States' leading thinkers on e-commerce, cryptography, electronic security and privacy were at this invitation-only conference. People like Phil Zimmerman, the inventor of PGP and crusader for privacy rights in cyberspace; Dr. Whitfield Diffie, Sun Microsystems Vice President and inventor of the Diffie/Hellman encryption standard; Bruce Sterling, science fiction writer and author of *The Hacker Crackdown: Law and Disorder on the Electronic Frontier*; Special Agent Marcus C. Thomas, Section Chief of the FBI's Cyber Technology Section at Quantico; Brigadier General James Armor, Directorate Director, the National Reconnaissance Office; and David Kahn, historian and author of the seminal work on the history of cryptography, *The Codebreakers*; and many others of equal stature. These people presented many sides of the issue and sometimes disagreed fundamentally. However, there was an uncanny convergence of agreement that platforms (like Leader's) are needed to help the national interest vs. personal privacy debate find its footing.

Breaking News: I have just engaged Phil Zimmerman, the inventor of PGP², to consult with our technical team on our privacy and security systems and standards. *InfoWorld* named Phil one of the Top 10 Innovators in E-business in 2000. Phil received the 1995 Chrysler Award for Innovation in Design. We will also be talking to Phil about the potential for a strategic alliance with respect to new products he is developing and our emerging product lines.

¹ Cryptography deals with the storing and transmission of data so that it is secure and private. Despite the fact that "crypto" goes back many millennia (it's a Greek word meaning hidden writing), modern-day standards have only started to emerge recently. Competing interests abound in this field all the way from the open-standards folks and civil libertarians on one side to privacy advocates, government, law enforcement and intelligence on the other. For example, we want the CIA to be able to intercept and decrypt Osama bin Laden's electronic communications to his international cells, but do you want them to have those same powers to open and read your love letters to your sweetheart? Tough issues.

² PGP is the de facto international standard for E-mail encryption today.

Proprietary & Confidential

Do not make copies. Do not distribute. Store securely.

Subject to Trade Secrets Law and the Leader Proprietary & Confidentiality Agreement.

Other business highlights:

1. **LeaderPhone™ Teleconferencing Services** officially launched in September 2001. Go to www.leaderphone.com to sign up and use it. Spread the word. I am pleased to announce that the company is now booking revenue. Early sales affiliates include Anysystem.com (New York), Communications Marketing Systems (Denver), Data-tell (Columbus), Ameritraining (Columbus), Adelphia (Pittsburgh). Early customers include the preceding plus the Minneapolis Jaycees, The Fountains (healthcare), the Railroad Engineer's Union, and The National Intellectual Property Law Institute. A host of new sales accounts are being lined up by Tom Ayres, our new Chief Sales and Marketing Officer. As an example, Data-tell has a 20+ person direct sales force and sells telecommunications products to the Fortune 2000. As of last Friday, LeaderPhone™ will become their teleconferencing offering. Also, we are now slated for an appointment with Ford Motor Company that is interested in looking at LeaderPhone™ for their 5,000,000 teleconferencing minutes per month.



Fig. 1: LeaderPhone™ Teleconferencing Services Home Page

2. **Fenwick & West LLP**, a leading Silicon Valley high technology law firm, has been engaged to assist us in positioning the company for growth. Fenwick & West was named a Fortune 2001 "100 BEST COMPANIES TO WORK FOR." They have offices in Palo Alto, San Francisco and Washington DC. You can read more about Fenwick and West on their website at www.fenwick.com.
3. **Steven P. Gonzalez**, former AT&T Sales Vice President for IP Services joins the Board. You can read more about Steve on our website. Go to www.leader.com then click the "Management" button. I am thrilled to have Steve on our Board. In my opinion, Steve is probably the most experienced and successful corporate sales executive in telecom and high technology today. He is experienced on both sides of the ball (data and telecom). This experience will serve us well. Steve has had many other offers for Board seats and has selected Leader among them. As an example of Steve's hands on experience, Steve created and profitably ran a 150+ person e-commerce direct sales force that sold all of AT&T's e-commerce products until the mid-1990's. (Read: They sold electronic stuff at a profit, grew their business every year, and made real money. Strangely, this had become a novel thought during the heady dotcom days but is now coming back into vogue. As most of you will recall, I have been preaching good fundamentals from Day 1.)

Proprietary & Confidential

Do not make copies. Do not distribute. Store securely.

Subject to Trade Secrets Law and the Leader Proprietary & Confidentiality Agreement.

4. Leader is on the cusp of signing research and development agreement with a major national research laboratory for sales rights to advanced technology developed by the laboratory to be marketed in conjunction with the Leader2Leader™ enterprise platform. As some of you are aware, this agreement has been in process for a number of months now. It experienced various delays due to procedural shortcomings on the other side that have now been worked out. In fact, officials from this laboratory recently made a two-day trip to Columbus for meetings at our offices. Leader's association with this laboratory, while enabling us to obtain powerful intellectual property rights, also "puts us on the map" with respect to technological validation. It is akin to having an AT&T Bell Labs endorsement. In addition, it positions our technology for wide deployment among prospective government purchasers.
5. Leader teams with the University of Dayton Research Institute to pursue a joint venture with Wright Patterson Air Force Base to install Leader2Leader™ at Wright Patterson and build special data sharing modules for use by the US Air Force. I cannot say a lot more about this opportunity other than it is in process now. Funding meetings are occurring right now for this project. We already have the technical sign-off from the government customer, now we must get through the financing hurdles, which, tragically, became suddenly easier after September 11.
6. Thomas E. Ayres, former AT&T General Manager and former Area Vice President of Rhythms NetConnections, joins Leader as Chief Sales and Marketing Officer. I have known Tom and his wife Susan for 8 years. He is a highly skilled corporate sales executive, superb sales force motivator, and powerful closer. He exceeds his plan wherever he goes. He, like Steve Gonzalez, is experienced on "both sides of the ball" (data and telecom) which makes his experience tailor-made for marketing LeaderPhone™, Leader2Leader™ and Click2Leader™.
7. Bill DeGenaro, former Director of Business Research & Analysis for 3M Company and former Director of Strategic Countermeasures Planning for the White House joins the Leader Advisory Board. Bill has already made the trip to Columbus to train our personnel on detecting industrial espionage techniques that could be used against Leader to steal our trade secrets. Bill is also a highly skilled corporate strategist. His advice will be invaluable as we grow. Few people know that much of the 3M Company quality story written about in *Built to Last* (HarperBusiness) was a plan conceived and implement by none other than our new Advisor, Bill DeGenaro, when he was a 3M Company executive.



Fig. 2 – Our large enterprise B2B Brand.

Proprietary & Confidential

Do not make copies. Do not distribute. Store securely.

Subject to Trade Secrets Law and the Leader Proprietary & Confidentiality Agreement.

8. Other significant Market Validations continue:
- a. **Jerry Rampelt**, a National Malcolm Baldrige Award Examiner, invests. For those of you unfamiliar with "the quality movement" in corporate America, the Malcolm Baldrige Award is the Super Bowl ring of quality. The Baldrige Committee is comprised of the finest strategy and organizational development minds in the world. Jerry's investment couldn't be a better signal to the quality world that **Leader2Leader™** is about ready to compete for the ring.
 - b. **Anysystem.com**, a major re-seller of large system computer gear, invests significant platform hardware for the staging of **Leader2Leader(tm)**. This development allows us a lot of flexibility to engage major beta users in testing **Leader2Leader™** in the coming months. With this platform, we don't need to bother internal IT shops with our requirements. We can simply invite "early innovator" testers from these firms to use the **Leader2Leader™** beta on our equipment and under our supervision and support. I cannot tell you how many selling obstacles this platform overcomes.
 - c. **Len Schlesinger**, COO, The Limited and formerly the George F. Baker, Jr. Professor of Business Administration at the Harvard Business School agrees to this endorsement after his latest viewing of the **Leader2Leader™** platform: "This is impressive. I could help manage the entire Limited family of companies from the **Leader2Leader™** system." Len saw our concepts back in 1998 and has followed us from a distance. While The Limited is not yet a customer, it is a testament to how far we've come that one of the most powerful people in the fashion world is willing to have his name associated with Leader even before the product is ready.
 - d. **Ed Detwiler**, former Sr. Vice President of Bank One, joins the Leader Board of Directors and makes a personal investment: "Leader has a unique Fortune 50 caliber management team for a 3.5-year-old up start company. Ed built what is today the 5th largest banking computer system in the United States. As many of you know, Ed has now joined Leader on a full time basis, is a Director, and is our **LeaderPhone™** Product Manager.
 - e. **Tom Ayres**, former AT&T General Manager and Vice President at Rhythms NetConnections says upon joining the Leader team as Chief Sales and Marketing Officer: "Every bit of my experience in the telecommunications and networking arenas tells me that Leader's product line will be in great demand. I plan to make my retirement with this opportunity. This opportunity is once in a lifetime."
 - f. **Steve Monaghan**, former Vice President for Ericsson: "**Leader2Leader™** is complete. You have nailed all the issues that have prevented others from being successful at what you have done. I want on board the Leader team." (Note: We have just reached agreement with Steve and he just started selling enterprise accounts for Leader full time last week.)
9. **Financing.** We continue to raise "angel" money from a small number of accredited investors. We are preparing to discuss financing with venture capitalists regarding a \$7-10 million round. If you or someone you know may have an interest in



Fig. 3 – Our internet subscription-based B2B & B2C Brad.

Proprietary & Confidential

Do not make copies. Do not distribute. Store securely.

Subject to Trade Secrets Law and the Leader Proprietary & Confidentiality Agreement.

considering an investment prior to us completing this \$7-10 million round, please contact me.

10. **Intellectual Property.** We have filed for numerous trademarks. Copyright and patent filings are being prepared by our intellectual property counsel, The Chandler Law Firm Chartered.
11. **Shift from LLC to C corporate form; 3-for-2 Split.** Our key advisors have recommended that we make the planned shift from LLC to C corporate form now. The Managers of Leader LLC agreed. You will receive separate materials concerning the entity conversion transaction. **We have decided that in conjunction with the re-capitalization from an LLC to C corporation we will, in effect, split all Member equity holdings 3 for 2.**

On my own behalf and on behalf of the whole Leader team I want to thank you for being a part of a business opportunity that I believe can reshape modern computing. It isn't many times in one's lifetime that one can be a part of such a possibility. This Merger (shift of corporate form to a C corporation) is a next step along that pathway.

Have a wonderful holiday season with your friends and family. We have a lot to be thankful for.

Yours sincerely,

Michael T. McKibben
CEO & Senior Manager
Leader Technologies LLC

Proprietary & Confidential

Do not make copies. Do not distribute. Store securely.

Subject to Trade Secrets Law and the Leader Proprietary & Confidentiality Agreement.

Leader.

921 Eastwood Drive
Suite 116
Westerville, Ohio 43081
USA

614 890.1986 VOICE
614 864.7922 FAX



To: Leader Members
From: Mike McKibben, CEO & Senior Manager
Date: May 1, 2002
Subject: Status Report & LLC-to-C Corp Conversion

Greetings to each of you and your families. I hope this letter finds you happy and in good health. I have much to report and too little space to report it, so I will try to summarize.

Leader2Leader™ trials are starting as we speak. In fact, I did my first remote presentation Friday – I was here in Columbus and the other person was in Washington D.C. It went well. It is gratifying to see the pent up demand for our platform. The response from those who have seen the platform is uniformly enthusiastic, from both large and small companies. Our task over this next year is to solidify our financing and roll out the platform to accommodate this demand. We are working hard to make sure we take full advantage of the global business potential of our powerful communications platform. **Click2Lead™** will be the subscription version of the platform version that will enable anyone to sign up and use the product. We expect that **Click2Lead™** will be available starting sometime in the summer after the platform has been sufficiently debugged.

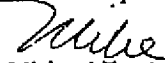
LeaderPhone™ Teleconferencing Services is out on the market now, is working like a champ and gaining customers. Our sales ramp up has been slower than expected, but we continue to refine our approaches and affiliate relationships to speed that up. I am pleased to tell you that **LeaderPhone™** is currently under evaluation to become the teleconferencing service for the Commonwealth of Pennsylvania. One of its unique features is the ability of the server to call you (instead of you calling a 1-800 number with a pre-defined PIN number). This powerful feature, even though much more convenient, takes customers some getting used to. They are used to having to work harder to get into a conference call! For this reason, we will likely offer a more expensive operator-assisted service as well to mimic what people do now.

Leader Smart Camera™. As many of you know, we have acquired the property rights to a Smart Camera™ developed at a well-known National Research Laboratory. We have also entered a Cooperative Research and Development Agreement with that laboratory. These are very valuable rights to a video security camera that will be connected to the **Leader2Leader™** platform and marketed as "Leader Smart Camera™". We believe that, especially following the events of September 11, these devices and our platform will be in great demand. We are currently pursuing a single local opportunity that would deploy 100 cameras this year. As with **LeaderPhone™** we plan to put an executive and budget in place to pursue this very important vertical market for **Leader2Leader™**.

Moving Forward. One of the important next steps in Leader's business strategy is to better position the company for future growth. We believe this can best be facilitated by the conversion of the company from an Ohio limited liability company to a Delaware C corporation.

The enclosed LLC-to-C conversion package explains what will happen. Please feel free to call me if you have any questions. This mailing is informational. There is nothing for you to do yet. Stay tuned and we will let you know when you are to cast your vote.

Yours truly,


Michael T. McKibben
CEO & Senior Manager

Proprietary & Confidential
Trade Secrets

Proprietary & Confidential