

## Former Willard & Kelsey executive sought cozy ties with state officials

Published: 3/2/2014

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<http://www.toledoblade.com/State/2014/03/02/Ex-solar-firm-s-exec-sought-cozy-ties-with-state-officials.html>

### BLADE INVESTIGATION

## Former Willard & Kelsey executive sought cozy ties with state officials

Emails indicate businessman enlisted for help

BY KRIS TURNER

BLADE STAFF WRITER

As Willard & Kelsey Solar Group's executives eyed millions in state development dollars in mid-2008, the company's chief financial officer cozied up to someone with high-level access to former Gov. Ted Strickland's administration to aid the firm's funding request.

At the suggestion of Mossie Murphy, Willard & Kelsey's chief financial officer, the Perrysburg solar-panel manufacturer's brass reached out to Cleveland businessman C. David Snyder, a top donor to Mr. Strickland's 2006 campaign and fund-raiser for his re-election bid.

"Dave is very close with the governor and just a really good guy," a May, 2008, email from Mr. Murphy to Willard & Kelsey's then-chief executive officer states.

That email spurred a lucrative relationship between Mr. Snyder and Willard & Kelsey — one that helped the now-shuttered solar firm secure \$10.6 million in taxpayer-funded grants and loans, a Blade investigation shows.

The relationship also was fruitful for Mr. Snyder.

His Cleveland information technology company, Attevo Inc., landed a more than \$230,000 contract with Willard & Kelsey a month after he set a meeting for Willard & Kelsey's executives and Mr. Strickland's top advisers. The Blade obtained a copy of the contract, which had projected monthly payments as high as \$110,750 for "consulting and travel fees."

"Dave, at the time, was helping the chief financial officer and the chief executive officer of Willard & Kelsey get access to the governor's office to file their financing request," said Gary Dowdy, an ex-partner at Attevo who worked with Willard & Kelsey. "The quid pro quo was they hired us to come in and do IT consulting."

In an interview with The Blade, Mr. Strickland denied knowing that Mr. Snyder and Willard & Kelsey were affiliated. The former Democratic governor said his administration did not grant special favors to Willard & Kelsey, which is being sued by the Ohio attorney general for fraudulently spending its state funding.

Mr. Snyder and his wife donated \$21,000 to Mr. Strickland's 2006 campaign and threw a small, white-glove fund-raiser at their Lakewood, Ohio, mansion during his re-election bid.

"I do remember going to his home for the fund-raiser because it's a really nice home," Mr. Strickland said. "I remember being there, but I don't remember much about it, and I absolutely have no knowledge of how much money may have been raised at that fund-raiser."

The former governor denied granting free rein of his administration to Mr. Snyder, who is being sued by the U.S. Department of Labor for misappropriating his employees' retirement contributions. Mr. Snyder also faces charges that Attevo misused a \$1.1 million state loan, which the Ohio attorney general is attempting to collect.

Mr. Strickland said he didn't receive anything improper from Mr. Snyder or grant anything special to him.

"I don't know that I had lunch or a meal with him, I guess it's possible, but I certainly have no recollection," Mr. Strickland said. "I have a lot of people I consider friends and a whole bunch of others I consider acquaintances, but Dave Snyder is certainly not one of those people."

A Blade review of hundreds of state emails, calendar entries from the governor's office, and interviews

with Mr. Snyder's former employees, however, indicates strong ties between Mr. Snyder and the Strickland administration.

Although the state was responsible for vetting and monitoring Willard & Kelsey and Attevo, which received a combined \$12 million in taxpayer-funded loans and grants, state officials never documented any significant problems at the firms or with their executives, show a review of public records, some of which were heavily redacted.

In the case of Attevo, the state did not include litigation and claims made against the company or Mr. Snyder in the firm's state loan contract, which differs from other development contracts reviewed by The Blade. Financially damning information about Attevo and Mr. Snyder that readily was available in public court records also was not included in state development records.

Ohio development officials working under Republican Gov. John Kasich placed the state loans to Willard & Kelsey and Attevo in default after The Blade reported questionable financial practices at each firm.

The breakdown in the oversight and management of the companies' state funding is well-documented and spans the Strickland and Kasich administrations.

The state's latest glitch: When the Ohio Bureau of Criminal Investigation came into possession in September, 2013, of a computer or computers and/or electronic devices that belonged to Willard & Kelsey's former CEO — who said the company paid its executives with state development dollars — the state did not launch an investigation. The property wasn't probed until a Jan. 28 civil court order mandated it be searched.

The Blade asked Governor Kasich's office to comment about why the state waited five months to begin an inquiry into the computers and received no response. Mr. Kasich's office repeatedly has refused to comment on flaws in Ohio's economic development programs.

## Ties exposed

The link between Mr. Snyder and Willard & Kelsey was established through an examination of emails belonging to members of the Strickland administration. The documents were received by The Blade last month as part of an ongoing investigation by the newspaper into how the state awards taxpayer-funded loans and grants to Ohio firms.

The records show Mr. Snyder had a strong interest in arranging a meeting between Governor Strickland and Willard & Kelsey.

"I would be happy to coordinate the Willard Kelsey meeting with you and Governor Strickland. The CEO and CFO are both available February 20th. Does that work?" a February, 2009, email from Mr. Snyder to John Haseley, the governor's chief of staff, reads.

An email sent later that month from an attorney representing Willard & Kelsey to Mr. Haseley mentions Mr. Snyder: "I heard from Dave Snyder he is trying to get March 10th as a date for a meeting with Gov. Strickland and Willard & Kelsey."

"Obviously, I wasn't aware of all those emails. I don't know the volume," Mr. Strickland told The Blade. "People in the administration working on development issues probably had some significant contact, but I think John [Haseley] told you our impression of Dave Snyder was not totally positive."

Mr. Snyder did not return a phone call seeking comment for this article and has not responded to previous interview requests.

Mr. Murphy, who eventually became Willard & Kelsey's vice president of development, did not return emails seeking comment.

Willard & Kelsey's Toledo attorney, Rick Kerger, said Willard & Kelsey had a contract with Mr. Snyder's company, but Mr. Snyder did not lobby for it in Columbus.

## How personal?

Part of Mr. Snyder's mystique was his access to the Strickland administration, said Mr. Dowdy, who said he was fired from Attevo after inquiring about illegal financial transactions occurring at the company.

"That's his persona," Mr. Dowdy said. "Anybody that wanted to wheel and deal, he'd use his contacts."

Those contacts extended to Lt. Gov. Lee Fisher, Office of Budget and Management Director Pari Sabety, and Mr. Haseley.

Mr. Strickland said he was not friends with Mr. Snyder and found him to be arrogant.

"If someone were to ask me about the 1,000 to 2,000 people that I have a relationship with in my life, Dave Snyder would not be one of them," the former governor said.

Other government emails obtained by The Blade contain more personal information about Mr. Snyder, such as this September, 2007, note from the state budget director to Mr. Haseley: “Dave Snyder’s father passed away yesterday. I’m sending a note, but Ted should also know.”

“It was not usual at all. If someone we worked with had a death in the family, we’d reach out,” said Mr. Haseley, who characterized his relationship with Mr. Snyder as professional and friendly.

The information about how Mr. Snyder used his relationship with the Strickland administration to benefit himself comes just weeks after Mr. Strickland was dispatched by the Democratic National Committee to Chicago to opine on the ethics of Republican New Jersey Gov. Chris Christie.

“Strickland should have called it quits years ago because every time he wades back into politics it’s just another reminder of why he lost his job in the first place,” Ryan Mahoney, a spokesman for the Republican National Committee, said in a statement to The Blade.

Mr. Strickland said he was not aware of financial or managerial problems at Attevo or Willard & Kelsey and state development officials should have caught any red flags.

Although Mr. Strickland said he was clueless about the issues at Attevo and Willard & Kelsey, he made official visits to the firms during his tenure as governor. Willard & Kelsey also was toured by high-profile Democrats such as Vice President Joe Biden and former U.S. Secretary of Labor Hilda Solis.

In addition to stumping at the businesses during his heated battle for re-election, Mr. Strickland also received hefty campaign donations from their employees.

Willard & Kelsey’s executives and Dolores Cicak, one of their spouses; William Mulrooney, a company manager, and Leslee Snyder, an executive assistant, donated a total of \$26,400 to Mr. Strickland’s 2010 re-election campaign. None of those individuals donated to Mr. Strickland’s 2006 gubernatorial campaign.

## Things sour

Internal emails from Willard & Kelsey show the firm had a congenial relationship with Mr. Snyder. The emails, which were obtained by The Blade, were maintained by former Willard & Kelsey CEO William Mitchell, who was fired from the company in 2009 and died in 2011.

Those emails show that Willard & Kelsey not only relied on Mr. Snyder’s political contacts — one asks for a cell phone number for Lieutenant Governor Fisher — but his financial ties as well. A July, 2008, note from Mr. Murphy to Mr. Snyder states: “Good to talk with you yesterday. As a backup plan I believe you said you have a relationship with Key Bank. ... If you have someone at Key that we could talk to and they were able to lend the funds needed we could work out a fee [arrangement] or possibly a deal on panels going forward at a discount for your green projects.”

Records from Willard & Kelsey that were reviewed by The Blade do not show that the firm had any business dealings with KeyBank.

The relationship between Willard & Kelsey and Mr. Snyder’s company, however, soured.

An April, 2010, lawsuit filed by Attevo against Willard & Kelsey in the Cuyahoga County Court of Common Pleas states Willard & Kelsey failed to pay Attevo \$154,201 for services provided throughout 2009. The suit states Willard & Kelsey stopped paying Attevo after it shelled out \$55,000 in July and August, 2009. It was dismissed in August, 2010, and a settlement was not included in the court records.

In addition to the communications involving Mr. Snyder, Mr. Mitchell stated in emails to his lawyer that Willard & Kelsey paid its executives with funds from a state loan. Those payments would be a direct violation of the firm’s state loan contract.

Although the Ohio Bureau of Criminal Investigation obtained one or more of Mr. Mitchell’s computers and/or electronic devices in September, 2013, it did not initiate a criminal investigation upon receiving that property.

Dan Tierney, a spokesman for Ohio Attorney General Mike DeWine, who has control over the Bureau of Criminal Investigation, said it would have been premature to ask for a criminal investigation without knowing what was contained on Mr. Mitchell’s property.

The attorney general’s office is in the process of reviewing the contents of Mr. Mitchell’s property — almost five months after receiving it — as part of two civil lawsuits Mr. DeWine filed against Willard & Kelsey in August, 2013, in Hamilton County Commercial Court. The court issued a subpoena Jan. 28 for the information contained on Mr. Mitchell’s devices.

If any criminal activity is discovered, it will be referred to the proper authorities, Mr. Tierney said.

The Ohio Development Services Agency and the Ohio Air Quality Development Authority were notified when the Bureau of Criminal Investigation took possession of Mr. Mitchell’s property, Mr. Tierney said. Both state entities issued

Willard & Kelsey taxpayer-funded loans and are being represented by the attorney general in the civil suits.

Either agency could have requested an investigation of the property, Mr. Tierney said.

Lyn Tolan, deputy director of policy and communications for the Development Services Agency, said she didn't know when the agency was informed the Bureau of Criminal Investigation had taken custody of Mr. Mitchell's property. Ms. Tolan declined to comment further citing attorney-client privilege.

Jeff Jacobson, vice chairman of the state's air authority, which loaned Willard & Kelsey \$5.1 million, was shocked to discover the state possessed some of Mr. Mitchell's electronic records and said he was never told the Bureau of Criminal Investigation had taken custody of them. He called the five-month lapse "confusing."

He said the data contained on Mr. Mitchell's property could be used "as a source of information to corroborate or contradict his allegations."

Mr. Jacobson said when it comes to Willard & Kelsey, he's always waiting for "some other shoe to drop."

"I have to admit, almost everything I know about Willard & Kelsey I learned first in The Toledo Blade," Mr. Jacobson said. "It has been disappointing and tragic that we learned about our own business from the paper and not from our consultants and staff."

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## Area towns, state lose bet on tech jobs

Published: 6/22/2014

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<http://www.toledoblade.com/State/2014/06/22/Area-towns-state-lose-bet-on-tech-jobs.html>

### BLADE INVESTIGATION

# Area towns, state lose bet on tech jobs

Millions in public money loaned, but little is repaid

BY KRIS TURNER

BLADE STAFF WRITER

In mid-2010, C. David Snyder scoured rural northern Ohio towns in search of easily accessible government funding.

The Cleveland businessman peddled promises of job creation and economic vitality in the aftermath of the Great Recession — promises that spurred officials from Bryan, Archbold, Napoleon, and the state to award Mr. Snyder's information technology start-up, Ruralogic Inc., more than \$1.2 million in loans and grants.

Mr. Snyder, who touted his unfettered access to former Democratic Gov. Ted Strickland's administration, pledged to create 200 or more IT jobs in Bryan.

The deal sounded like a reprieve from a tepid economic climate, said Dennis Miller, executive director of the Maumee Valley Planning Organization, which processed Bryan's \$350,000, August, 2010, loan to Ruralogic.

"That was at a time when there was not a lot going on economically, and the local political and business leadership in the communities were anxious to stimulate the economy and create jobs," Mr. Miller said.

Mr. Miller, though, was given pause when Mr. Snyder began shopping the same project to Napoleon and Archbold. Creating 200 or more jobs in each small town would have been difficult, he said.

"It appeared he was trying to assemble as much public funding as possible, and it concerned me about how we could make sure he used the funds in an appropriate manner for each of the projects," said Mr. Miller, whose organization also processed a \$200,000, March, 2011, loan for Ruralogic's Napoleon office.

Mr. Miller's concerns were not unfounded.

A Blade investigation revealed that the taxpayer-funded loans granted to Ruralogic for its operations in Bryan, Napoleon, and Archbold have not been repaid, and it's unclear how most of that money was spent, a review of municipal records shows.

Although Ruralogic, which records show was based in Bryan, included a breakdown of equipment it agreed to buy in its loan contract with Bryan, the company never purchased some of the items on that list. And, despite accepting a \$450,000 loan from Archbold, Ruralogic never opened its doors there. Its offices in Bryan and Napoleon are closed.

"As to whether our funds went to equipment, executive salaries, or operating expenses, it'll take a forensic accountant to figure all that out," Mr. Miller said.

All three communities are suing Ruralogic. None of them reaped the economic rewards or jobs Mr. Snyder promised.

These issues follow a pattern of financial irregularities at Mr. Snyder's companies, which either acquired or worked on projects that received more than \$28 million in government financing during a five-year period. Most of that \$28 million has not been repaid, and all of the businesses involved face allegations that they misappropriated taxpayer or corporate funds.

Last week, a Blade reporter left his business card with a woman entering Mr. Snyder's Rocky River, Ohio, home and asked for Mr. Snyder to contact him. The newspaper received no response.

Messages left on Mr. Snyder's mobile phone also were not returned.

## Among the issues

The Blade discovered many of Ruralogic's financial issues by examining municipal, state, and court records.

After reviewing an equipment list Ruralogic included in its loan contract with Bryan, The Blade discovered that the firm never purchased 62 computers for \$18,910 from Mainline Information Systems Inc. and did not spend \$69,590 for video-conferencing equipment from Netwave Corp. Employees at both companies confirmed they never did business with Ruralogic.

Rick Bolman, Ruralogic's former IT manager from September, 2010, to December, 2012, said the company never purchased about \$127,000 of equipment itemized on the list and called it a "planning document."

"That list you sent predates my involvement there, and it looks more like a list of potential equipment they wanted to get rather than money that was actually spent," he said, adding that Ruralogic owes him \$27,000 in back pay and retirement contributions.

The Maumee Valley Planning Organization, which processed two loans for Ruralogic, was unaware the company did not purchase some of the equipment listed in its Bryan loan contract, Mr. Miller said. The organization informed its lawyer of The Blade's findings.

Ruralogic never submitted receipts for its equipment purchases to the Maumee Valley Planning Organization, a review of its loan file shows. Mr. Miller said the organization confirmed some of the purchases through a visual inspection.

"We physically looked at it, but it was a sampling of it," he said. "We didn't verify everything."

A majority of the money loaned to Ruralogic for its Napoleon office — funds that also were processed by the Maumee Valley Planning Organization — was invested in rehabilitating the company's rented office space. That \$200,000 has not been repaid, and Ruralogic vacated that office more than a year ago.

Archbold declined to make Ruralogic's loan file available to the public.

## Isofoton link

Mr. Snyder's quest for taxpayer funding — and the problems that stem from his handling of that money — extend beyond the municipal loans.

A relationship between Mr. Snyder and the chairman of Isofoton North America, a Napoleon-based solar-panel manufacturer that received more than \$15 million in state loans, got Ruralogic hired to handle Isofoton's finances, said Diego Belmonte, Isofoton's former interim chief executive officer.

Hired in 2012, Ruralogic acted as Isofoton's chief financial officer, Mr. Belmonte said. Ruralogic aided the solar-panel maker in its acquisition of state funding and dealt with the state agencies that issued Isofoton's loans, he said.

Ruralogic worked for Isofoton until April, 2013.

State records reviewed by The Blade show that while Ruralogic was handling Isofoton's finances, copies of the same invoices from 19 different vendors were submitted to both the Ohio Development Services Agency and Ohio Air Quality Development Authority, agencies that loaned Isofoton more than \$10 million and \$5 million, respectively.

Those invoices totaled more than \$1.4 million. For example:

- \$173,720 for Air Force One Inc., a construction contractor.
- \$198,900 for GEM Inc., a specialty contractor.
- \$93,600 for SSOE Group, an architecture, engineering, and construction-management firm.

Economic development officials working under Republican Gov. John Kasich's administration who were responsible for monitoring how Isofoton's state funding was spent, refused to comment on whether the state was double billed. Neither Governor Kasich nor his aides have been willing to discuss Mr. Snyder or the state money he or his clients received.

The invoices from the Ohio Development Services Agency included memos that tracked how Isofoton's state funding was spent. The invoices from the state air authority, however, did not.

## Legal action

The Blade provided the air authority with a spreadsheet of the duplicated invoices and asked spokesman Jenny Camper to confirm whether they had been paid. Ms. Camper refused, citing legal advice from the office of Ohio Attorney General Mike DeWine, which is representing the air authority as it tries to collect the funding it loaned to the now-shuttered Isofoton.

Ms. Camper said the air authority generally asks for all invoices related to an economic development project and released this statement:

"The company [borrower] pays all invoices."

Issues with Isofoton's taxpayer funding don't end there.

A June, 2013, email included in a \$64,830 lawsuit brought against Isofoton by construction contractor Air Force One states the solar firm misused its state funding.

“Cash is not available to pay us right now. The money that was paid by the state of Ohio against our invoices was used for operating funds instead of to pay us what was due,” the email from Air Force One to Isofoton states.

State loans, like Isofoton’s contract, often stipulate that taxpayer financing must be spent on itemized lists of equipment. Any other use of that funding would be a violation of the loan agreement.

A review of Isofoton’s state funding records shows the Air Force One invoices that were submitted to state officials were billed through Ruralogic.

“The money that was used for the project was used to cover payroll and other operating costs of the business rather than the construction of the facility,” said Greg Guy, chief executive officer of Air Force One.

Jim Armstead, a Ruralogic director from 2010 to 2013, hung up the phone when a Blade reporter called him to ask about the Isofoton project. Tish Wityk, a former Ruralogic employee who is named on some of the Isofoton invoices, declined to comment.

Ruralogic CEO Joe Burmester did not return a call seeking comment.

Isofoton denied misappropriating its state funding in a June, 2013, email that was included in the lawsuit.

In a written statement to The Blade, Michael Peck, Isofoton’s North American chairman, denied any wrongdoing on behalf of Isofoton and said “Ruralogic played no role in acquiring state financing.”

Mr. Peck would not agree to a phone interview.

The Ohio Development Services Agency and Isofoton provided audits of Isofoton’s state funding to The Blade, but those documents only examined funds loaned by the Ohio Development Services Agency. Isofoton’s \$5 million loan from the state air authority is not mentioned in that paperwork.

A public records request for the air authority’s loan file on Isofoton did not contain an audit, and Ms. Camper would not comment on whether one was conducted.

“Certainly, it raises a lot of questions if two state-related entities are being asked to accept the same documentation for different spending,” said Jeff Jacobson, vice chairman of the air authority.

## **A political player?**

Mr. Snyder was able to ingratiate himself with economic development officials and businesses by selling himself as a player in state politics.

Mr. Snyder routinely touted his access to Governor Strickland’s administration while Ruralogic was negotiating its loan with Archbold, said Dennis Howell, Archbold’s village administrator.

“He’s just a name-dropper,” Mr. Howell said, adding, “I know that he would use his relationship with the governor’s office as a talking point.”

A public records request filed by The Blade turned up hundreds of emails and calendar entries that showed Mr. Snyder was in frequent contact with high-level staff members of Governor Strickland’s administration, including Chief of Staff John Haseley and Pari Sabety, Office of Budget and Management director. The communications span the entirety of Governor Strickland’s term and range from personal matters to providing taxpayer funding to Mr. Snyder’s companies. They do not mention Mr. Snyder’s mounting professional and legal troubles.

One January, 2008, email shows that Mr. Snyder — who, along with his wife, donated \$21,000 to Governor Strickland’s 2006 campaign and threw a fund-raiser for his re-election bid — was scheduled to meet with Mr. Strickland at the governor’s residence.

“Would Ted be available on [Saturday] Feb. 2 for a get-together at the residence with Dave Snyder and me? One hour. Alternative Saturdays?” the email, written by Mr. Haseley, states.

Follow-up emails also requested an hour of “cushion time” after that meeting.

Governor Strickland said he did not have a favorable impression of Mr. Snyder and that his administration did not grant him special favors.

“If you mean dealings that were unethical or out of the normal business interaction, absolutely not,” Governor Strickland said. “To my knowledge, no one benefited because of those kind of deals. Certainly, David Snyder was not someone I would have tried to go the extra mile with in terms of being helpful.”

Issues involving Mr. Snyder and taxpayer dollars extend from Governor Strickland’s term well into Governor Kasich’s tenure.

## Trail of trouble

Although Mr. Snyder was adept at getting his hands on taxpayer funding, trouble followed each of the deals he was involved with.

In five years, his companies either acquired or worked on projects that received more than \$28 million in local and state financing. Each of those projects tanked.

The Ohio Development Services Agency placed a \$1.1 million loan it granted to Mr. Snyder's Cleveland IT company, Attevo Inc., in default after being questioned by The Blade in October about whether that money was misspent. Although Mr. Snyder and his companies faced numerous legal and tax issues prior to receiving that funding, Ohio's economic development records didn't mention those problems.

Following the publication of a Blade investigation last year, the U.S. Department of Labor filed a lawsuit in November against Mr. Snyder, Ruralogic, and Attevo for acts of fraud or dishonesty.

Attevo was hired by Willard & Kelsey Solar Group — a defunct Perrysburg solar-panel manufacturer that is being sued by the Ohio attorney general for fraudulently spending its state loans — when the firm was trying to acquire more than \$10 million in taxpayer financing. The Blade discovered the connection between the two businesses by reviewing the emails of Willard & Kelsey's former chief executive officer.

Although the state streamlined its economic development efforts under JobsOhio, a nonprofit agency that was Governor Kasich's creation, the organization is not subject to public records laws.

Problems, like those of Mr. Snyder and his companies, are now more difficult for the public to see.

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## Loans went to solar execs' other firms

Published: 10/12/14

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<http://www.toledoblade.com/local/2014/10/12/Loans-went-to-solar-exec-s-other-firms.html>

### BLADE INVESTIGATION

## Loans went to solar execs' other firms

### \$1.1M in Ohio assistance paid to bosses' consulting services

BY KRIS TURNER

BLADE STAFF WRITER

Two consulting firms headed by the executives of a Napoleon solar-panel manufacturer collected more than \$1.1 million from the company's taxpayer-funded state loans before the business closed this year, a Blade investigation shows.

Isofoton North America used part of the more than \$15 million it received from the state to make payments that ranged from \$1,689 to \$301,600 to its executives' consulting firms from December, 2011, to September, 2012. The taxpayer funding was largely intended to construct Isofoton's factory in Napoleon, Ohio, and purchase equipment, records show.

The company's use of state loans adds to a plethora of problems with the way Ohio manages taxpayer-funded loans and grants to businesses and is the latest addition to a growing list of costly economic-development failures.

The Blade found that Isofoton funneled some of its state funding to consulting firms owned by its executives after reviewing invoices the company submitted to the Ohio Development Services Agency and the Ohio Air Quality Development Authority, which loaned Isofoton more than \$10 million and \$5 million, respectively.

An earlier investigation by the newspaper showed that Isofoton double-billed the agencies more than \$2.9 million for items such as flooring, computer equipment, and contracting services.

"The self-dealing aspect has been very troubling to me," said Jeff Jacobson, vice chairman of the state air authority, who said he was unaware of the payments made to the executives' firms. "You're wondering whether the things that are being done are for the best interest of the company or somebody else's interest."

Isofoton's executives deny financial wrongdoing and said the state funding that their companies received covered services provided to the solar firm.

The company's state funding was distributed under the administration of Republican Gov. John Kasich, who is running for re-election on a platform that emphasizes his economic-development record. His administration touted Isofoton as "a leading solar energy technology company" that was to create 330 jobs in Napoleon by 2014.

Isofoton's plant was repossessed in April.

Republican Ohio Attorney General Mike DeWine, also up for re-election, is trying to recoup \$8.6 million of the more than \$15 million the state lent to Isofoton because the company defaulted on its two taxpayer-funded loans.

The state also is repaying part of the more than \$7 million Isofoton borrowed from the Ohio Enterprise Bond Fund because a missed payment would affect Ohio's credit rating. So far, the state has paid \$665,453 to cover Isofoton's payments and is on the hook to pay \$5.6 million more.

A Blade review of invoices Isofoton submitted to the Ohio Development Services Agency and state air authority found that the company submitted the same invoices from 19 vendors to both agencies. State officials would not comment on why both agencies received the same documentation.

Officials at the air authority and development services agency, who were given a spreadsheet detailing Isofoton's payments to its executives' consulting firms in August, said they are reviewing all of the informa-

tion compiled by The Blade.

Among the newspaper's other findings from Isofoton's state funding:

- An economic development group at the University of Toledo received \$342,500 to influence public officials and aid Isofoton as it tried to acquire additional private and public financing.
- Isofoton spent \$62,942 to hire an information technology company with a sordid financial history to manage its finances.
- Isofoton and its parent company were accused of misusing government funding in Ohio and Spain.

### **Chairman's firm**

The bulk of the \$1.1 million Isofoton paid to its executives' consulting firms — more than \$1.07 million — went to MAPA Group, a company in the nation's capital that is a minority owner of Isofoton. It is headed by Michael Peck, Isofoton's North American chairman. MAPA's Web site describes it as a commercial business development firm.

Mr. Peck would not agree to an interview but did issue a statement to The Blade that Isofoton did not commit malfeasance. He attributed Isofoton's failure to the loss of its only major contract and the bankruptcy of its parent company in Spain and said MAPA Group is one of Isofoton's largest registered creditors.

Mr. Peck's statement did not address questions about Isofoton's payments from its taxpayer-funded loans to his consulting firm.

The rest of the \$1.1 million Isofoton spent on its executives' consulting firms — \$29,167 — was paid to Photo Energy S Corp., a company owned by Diego Belmonte, Isofoton's former interim chief executive officer. The corporation is registered to the same address as a home Mr. Belmonte owns in Washington.

Mr. Belmonte, in an interview with The Blade, said his compensation from the state funding "would be for my day-to-day involvement and traveling and stuff."

"We just arranged things in a format that was in a consulting basis," he said. "That was for time and efforts through my consulting company."

One of the chief reasons Isofoton located its North American operation in Ohio was because of the lucrative incentives and political support state officials offered the company.

### **Other beneficiaries**

Isfoton's executives weren't the only ones to walk away with large sums of taxpayer money.

The University of Toledo's economic development arm, Incenu, received \$342,500 of Isfoton's state funding to "facilitate direct and indirect communication channels with the Ohio Statehouse, governor's office, Ohio [Development Services Agency] ..." and include Isfoton in university grant submissions, according to state and university records.

Emails reviewed by The Blade reveal that university officials assisted the solar-panel manufacturer's attempts to acquire additional public and private financing.

Rick Stansley, who previously served as Incenu's director, said he aided Isfoton with its business and administrative needs but was unaware Incenu was paid with Isfoton's state funding.

"I was familiar with the fact they had state money, but I was never privy to what the purpose of the money was for," he said. "I was not involved with them to the degree that I would understand their finances at all."

In his written response to The Blade, Mr. Peck said Incenu helped Isfoton hire salaried personnel, establish human resources policies, and obtain proper documentation and local filings.

Rurallogic, an information technology company that was brought in to run Isfoton's finances, was paid \$62,942 from state funds, according to Ohio development records. Rurallogic was handling Isfoton's finances when the state was double-billed for more than \$2.9 million. Its owner, Cleveland businessman C. David Snyder, defaulted on a state loan issued to one of his companies and is connected to several misappropriations of public and private financing.

Mr. Snyder was sued by the U.S. Department of Labor on the heels of a Blade investigation published in October, 2013, for purposefully withholding retirement contributions and compensation from his employees. He was ordered by a Cleveland U.S. District Court judge in August to repay \$143,481 to his employees' retirement plan.

Mr. Peck said that Isfoton was unaware of any legal issues facing Mr. Snyder and his companies until they were detailed in the press.

### **Legal issues**

Isfoton's issues involving government funding extend beyond payments to its executives' consulting firms, double billings, and questionable hires.

A June, 2013, email that was part of a \$64,830 lawsuit filed against Isofoton by construction contractor Air Force One stated the solar-panel manufacturer misappropriated its state funding, opting to use it for operating expenses instead of to pay vendors.

Isfoton denied that allegation in another email included in the Air Force One lawsuit.

This, however, wasn't the first time Isfoton's use of government funding was called into question.

A state official brought up issues involving Isfoton's parent company and funding it received from Spain's government in May, 2013. An email sent by the interim head of the state air authority to Mr. Peck, which linked to a Spanish article about the financial health of Isfoton's parent company, stated, "Could you take a look at the article below and give me your thoughts. I am not as worried about the suggested misuse of the grant from the Spanish Government."

Mr. Peck rebuffed those concerns in a May, 2013, email that stated, "Our strong understanding is that none of the issues mentioned in this article have anything to do with Isfoton North America ... within the context of the Spanish legal process."

According to a February, 2014, publication from the Spanish Government Delegate Commission for Economic Affairs, which determines whether government-funded contracts have been violated, Isfoton's parent company was found in breach of its agreement with the Spanish government.

The Blade emailed the commission for a comment but did not receive a response.

Mr. Peck said he contacted officials in Spain to inquire about the matter but did not have a response as of press time.

The Blade called Kasich spokesman Rob Nichols but did not receive a response to an interview request to discuss Isfoton. In fact, Governor Kasich never has addressed the state's economic development failures when contacted by The Blade.

## **Monitoring money**

Jenny Camper, spokesman for the state air authority, declined to discuss how Isfoton spent its state funding because it is "part of the litigation process with the attorney general's office." Ms. Camper, however, said the state is reviewing the information compiled by The Blade about the taxpayer funds that went to Isfoton executive's consulting firms.

Mr. Jacobson, vice chairman of the air authority, said it's unclear if state officials ever checked into how the \$5 million air authority loan was spent. The government needs to do a better job of monitoring the taxpayer money it lends to businesses, he said.

"The question I have is whether there's anybody who sees it as their responsibility to get the money back and to investigate to a degree so they can say, 'You made a bad decision here,' or 'You hurt the state's ability to be repaid,'" Mr. Jacobson said. "I'm not sure who that person is."

More than \$1 million of the \$1.6 million Isfoton spent on its executives' consulting firms and other problematic expenses came from the air authority's loan, according to state records. Unlike invoices on file at the Ohio Development Services Agency, the air authority's invoices did not include memos that tracked how the funding was spent.

Lyn Tolan, deputy director of policy and communications at the Development Services Agency, said the state is reviewing how Isfoton spent its state funding and any findings will be presented to the Ohio attorney general.

The agency, formerly the Ohio Department of Development, was responsible for approving a \$414,984 request in September, 2012, that allowed the company to spend more of its loan on items such as consulting fees.

"In the past, it was not unusual for funds to be reallocated from one budget line to another budget line. That is no longer our practice," Ms. Tolan said, adding that the state now has firm limitations on items such as consulting fees.

Isfoton exceeded the amount of money it was allowed to spend on expenses such as consulting fees, said Ms. Tolan, who wouldn't elaborate on whether state officials knew that the solar-panel manufacturer's executives headed the consulting firms that received more than \$1.1 million in taxpayer money.

Although the Kasich administration and his re-election campaign boast the governor's ability to create jobs and bring businesses to Ohio, the administration is also responsible for shielding most of the state's economic development efforts from the view of the public and media by allowing JobsOhio — a nonprofit entity that is exempt from Ohio public records laws — to handle loans and grants made to Ohio businesses.

Ed FitzGerald, the Democratic gubernatorial candidate, said the secrecy surrounding JobsOhio and the state's economic development incentives creates a culture where no one is held accountable. The public has a right to know what's occurring with taxpayer money, he said.

"The worst thing you can do when you're talking about expending a significant amount of public funds is to do it in a secretive environment," Mr. FitzGerald said.

## List of failures

Today, Isofoton's Napoleon factory sits empty.

The last vestige the solar-panel manufacturer ever was operational — a behemoth of a banner strewn across the front of the facility that read “creating jobs” and “proud to be in Ohio” — was removed shortly after Isofoton was evicted in April. The hundreds of jobs Isofoton promised never materialized, and it's unclear if the state will be able to recoup its multimillion-dollar investment.

The company is the latest economic development blunder to surface in Ohio, several of which are centered in northwest Ohio.

Notable cases include Willard & Kelsey Solar Group, a Perrysburg solar-panel manufacturer that received more than \$10 million in taxpayer-funded state loans and is being sued for fraud by the Ohio attorney general, and Buckeye Silicon, a South Toledo polysilicon manufacturer that was lent \$2.7 million in state funding and failed to repay that money. The state sued Buckeye Silicon for fraud and reached a \$1.5 million settlement with the firm, taking a \$1.2 million loss on the taxpayer funding it awarded the company.

“I don't know that any level of government — from the feds dealing with the Solyndras of the world on down — can make sure the people receiving our money can make sure the business is successful,” Mr. Jacobson said.

Solyndra was a California solar firm that received more than \$500 million in federal government support and went bankrupt.

In Isofoton's case, Mr. Jacobson said the company's use of its state funding is suspect.

“Rule No. 1 of any business I've ever known about is the owners don't get paid starting out,” he said. “It just doesn't sound like Isofoton took that same attitude about it.”

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