

A PUBLICATION OF KOCH COMPANIES

Discovery

Volume 25 | Number 2 | May 2019

A man with short, graying hair, wearing a light blue button-down shirt, is seated in a courtroom. He is looking off to the side with a thoughtful expression. The background shows the interior of a courtroom with wooden benches and a high ceiling.

THE EVOLUTION OF CRIMINAL JUSTICE REFORM

BY MARK HOLDEN

*“What happens to those who are faced with these wrongs
and don’t have the financial resources to fight them?”*

HOW IT ALL BEGAN

I was fortunate. I learned this at a very early age growing up in Worcester, Massachusetts, in the 1970s and '80s during the advent of the War on Drugs. In hindsight, it had a lot to do with parents who encouraged me and held me accountable, who taught me the difference between right and wrong, and who put the fear of God in me. Not all youth are so fortunate. This became clear during my early college years working at a local prison where I ran across many of my former classmates — incarcerated at the same prison where I was employed. The grim reality was that while I had my whole life ahead of me, their lives were already ruined. A lack of education and resources, little family support, substance use disorders and an absence of treatment programs all led them astray. Seeing how our paths had so sharply diverged was definitely a “there but for the grace of God go I” moment. It also lit a fire that started my desire to fix the criminal justice system. As Bryan Stevenson of Just Mercy says, “In order to care about an issue and be able to remedy it, you must be proximate to it.” I was already there.

In 1995, I began my career at Koch Industries as a litigator. It was here that I truly began to understand and embrace Charles Koch’s vision for a free and open society and witnessed, firsthand, how deeply grounded the Guiding Principles of Integrity and Stewardship & Compliance were in the company as they began to play out in their truest form. In the mid-1990s, our Corpus Christi refinery discovered that an employee had filed a false quarterly report with the Texas state environmental regulator regarding benzene emissions. As a result, that employee was separated from the company and, in good faith, we met with the state regulator to disclose the issue and self-report. At that meeting, we acknowledged that we were out of compliance and would work with the agency to bring the facility back to full compliance — which we did. The State of Texas closed the matter, and this should have been the end of the story.

The federal government, however, in a serious case of overreach, alleged a cover-up. This six-year battle resulted in four of our employees being indicted by a federal grand jury on 97 counts. We stood by our employees and these counts were later reduced to zero. Throughout the course of the investigation and ensuing trial, we discovered instances of serious prosecutorial overreach and abuse of authority. In the end, the government had no factual basis for its prosecution, and Koch and our employees were ultimately absolved of all charges, with a Koch subsidiary pleading guilty only to the original inaccurate report that we had voluntarily disclosed six years earlier. At the government’s request, our employees agreed not to sue the government for malicious prosecution. We were able to fight these charges and prevail. However, it did not come without a huge cost in company resources and great personal cost to the affected employees. It was the company’s first real taste of how unfair and unjust our criminal justice system had become — and, as a company, we were all now proximate to it.



It’s our belief that people who have made mistakes and paid the penalty deserve a second chance to turn their life around by providing value for others.



JOHNNY C. TAYLOR JR.
PRESIDENT AND CEO, SOCIETY FOR
HUMAN RESOURCE MANAGEMENT
AND MARK HOLDEN

Koch.link/Pledge



Mark V. Holden

SENIOR VICE PRESIDENT
KOCH INDUSTRIES, INC.

LEADING THE CHARGE — THE CASE FOR CRIMINAL JUSTICE REFORM

You will find few people in this world more principled than Charles Koch, who has been passionate about criminal justice reform for most of his life and was a tireless advocate for smarter and more sane policies decades before our company's brush with the system. But the situation left him wondering: If these injustices could happen to us, what happens to those who are faced with these wrongs and don't have the financial resources to fight them? This renewed Charles' vision of improving our criminal justice system for all, for making it more just and, further, to begin working to remove barriers to opportunity that prevent people from reaching their potential.

Effective criminal justice reform is the embodiment of Principle 3 — Principled Entrepreneurship™ — and practicing a philosophy of mutual benefit. It is the ultimate win-win situation in which we can help people improve their lives while making our communities safer and stronger.

I have seen these virtuous cycles of mutual benefit during my advocacy of criminal justice reform. Before leading the national re-entry program Safe Streets & Second Chances, a first-of-its-kind research and policy initiative supported by Koch Industries, former defense attorney John Koufos needed a second chance of his own. His entire life changed after pleading guilty to a hit-and-run accident while driving intoxicated. Today, he dedicates his time advocating for prisoners as they navigate the myriad of obstacles associated with re-entering and reintegrating into society. For Alice Marie Johnson, a 63-year-old grandmother who received a life sentence for a first-time drug offense, a second chance came in the form of presidential clemency. Now, she publicly advocates for those who are still in prison, giving them a ray of hope. I have been honored to help her bring more people together.

Their stories, and also many others, illustrate why we view criminal justice reform from a moral, constitutional, and fiscal perspective, toward equal rights, public safety, and redemption. The moral case is simple: This country has a two-tiered justice system in which people with resources often receive better outcomes than those who are less affluent. Poverty becomes criminalized through an outdated pre-trial justice system that incarcerates people who aren't a public safety threat but can't afford bail. Once saddled with a criminal record, these people then face a multitude of consequences preventing them from ever obtaining jobs, housing, education, licenses, loans, employment, and voting rights. To endlessly punish those who have paid their debt to society is simply immoral.

From a constitutional perspective, almost half of the Bill of Rights covers criminal justice. The Founders witnessed abuses of justice in their home countries and warned that such overreach here would pose the greatest threat to life, liberty, and the pursuit of happiness.



How criminal justice reform unites
Koch with Alice Marie Johnson (left).



[KOCH.link/AliceMarieJohnson](https://www.koch.com/Link/AliceMarieJohnson)

Finally, the fiscal case. More than a decade ago, Texas wisely decided against spending billions of taxpayer dollars on a new prison. Instead, the state embarked on a plan to keep certain individuals out of prison who were not a threat to public safety, via specialty courts and probation. For those sentenced to prison, Texas created access to rehabilitation programs that reduced recidivism by equipping incarcerated individuals with the therapy and skills needed to succeed after their eventual release.

To date, these reforms have saved the Lone Star State more than \$4 billion, led to the closing of eight prisons, and reduced crime to levels Texas hasn't experienced since the 1960s. This smart-on-crime, soft-on-taxpayers approach has become a model for dozens of other states as well as the federal government, which passed the First Step Act legislation late last year.

WHAT'S NEXT?

To build on last year's progress, we intend to address the following four areas that will help our country take the next step on criminal justice reform:

Revamp the Federal Bureau of Prisons. The Bureau of Prisons needs a makeover. First, BOP should be renamed the Bureau of Corrections and Rehabilitation, a name that reflects its goal to correct illegal behavior and rehabilitate people to keep them from reoffending. Next, BCR should be housed outside the Department of Justice. With all due respect, DOJ's mission isn't to rehabilitate people who commit crimes — it's to prosecute and

imprison them, often for long periods of time. If we're serious about keeping federal inmates from returning to prison, we should place BCR under the supervision of the Department of Health and Human Services, which is better suited to rehabilitate those in need.

Reform the collateral consequences to a criminal conviction. While there can, at times, be reasons to block people with criminal records from certain opportunities, we should eliminate one-size-fits-all prohibitions on access to jobs, housing, loans, education, voting rights, and licenses. The federal government and the states should enact Clean Slate legislation, like the law passed last year in Pennsylvania, that automatically clears the records of eligible individuals who remain crime-free. We also should ensure that those on probation or parole are not sent to prison over bureaucratic, technical violations that have nothing to do with public safety.

Reform asset forfeiture laws. Civil forfeiture violates the Fourth and Fifth amendments by allowing law enforcement to seize and retain assets from citizens who haven't been charged with a crime. It shifts the burden of proof from the government to individuals whose property was (illegally) seized and requires individuals to sue to get their property back. It's inconsistent with the proper role of police in our society, increases tensions in communities, and creates perverse incentives for law enforcement who are often able to use the proceeds to fund their activities.



Mark Holden discusses the importance of, and the need for, criminal justice reform.



[KOCH.link/whyCJR](https://www.koch.com/whyCJR)



Uniting to do right: Van Jones (left) and Mark Holden (right) team up to discuss the passage of the First Step Act.



[KOCH.link/FirstStepAct](https://www.koch.com/FirstStepAct)

Honor the Sixth Amendment by **requiring access to effective counsel for anyone charged with a felony or misdemeanor.**

States routinely prosecute defendants while failing to provide them with effective counsel. As 80% of those accused require a court-appointed lawyer, this is a serious constitutional crisis that must be addressed. Until then, the government should not be allowed to prosecute defendants who lack an effective advocate.

As we enter the 2020 election season, my hope is that leaders and lawmakers across the political spectrum embrace the cause of criminal justice reform. Last year, we achieved an incredible victory with passage of the First Step Act, the first time in the history of the federal system that there were comprehensive reforms that made the justice system more just and more focused on redemption and rehabilitation. This was championed by both Republicans and Democrats. We look forward to the victories ahead.



Jenny Kim, KII's deputy general counsel, shares Koch's enthusiasm for criminal justice reform issues. Kim recently moderated a panel discussion at the National Diversity Council's 15th Annual Diversity & Leadership Conference in Dallas. While there, she engaged with others committed to hiring people with criminal histories who want a chance to work and improve life for themselves, their families and their communities. Kim has described the power of second-chance hiring as "transformative." [KOCH.link/JennyKim](https://www.koch.com/JennyKim)

This is an example of bipartisanship that people at the grassroots don't see often enough. And so that's a victory right there.

//

SEN. CHUCK GRASSLEY

DRIVING CHANGE

When Charles Koch went away to college, one of the things he wanted most was a car. That was something his father, Fred Koch, insisted Charles didn't need.

Without telling Fred, Charles managed to scrape together enough cash to buy "a used Oldsmobile. I think I paid maybe \$200 for it. None of the tires matched and they were all worn out. When I drove it home from Boston, my father was angry and horrified." Even so, Fred relented a bit, saying, "I don't want the kid to kill himself," and bought him a new set of tires.

The car that Charles Koch drove in the 1950s was primitive compared to the cars we take for granted today. It had no backup camera, fuel-injected engine, satellite radio, collision avoidance system, air bags, rain-sensing windshield, Wi-Fi video screens in the backseat or onboard navigation. It's true that most automobiles still have four tires and a steering wheel, but technological advances have changed almost everything else about the vehicles we drive.

Several Koch companies have a well-established presence in various aspects of automotive technology, such as carpet fibers, air bags and nylon engine compartment components from INVISTA, innovative fuel options from FHR, and chrome-plated plastic trim and grilles by Guardian's SRG Global. But the Koch company with the strongest ties to the future of the automotive industry — especially after acquiring Laird's Connected Vehicle Solutions division last year — is Molex.

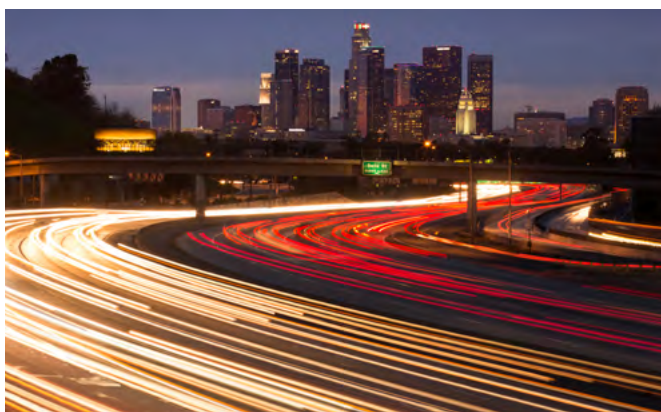


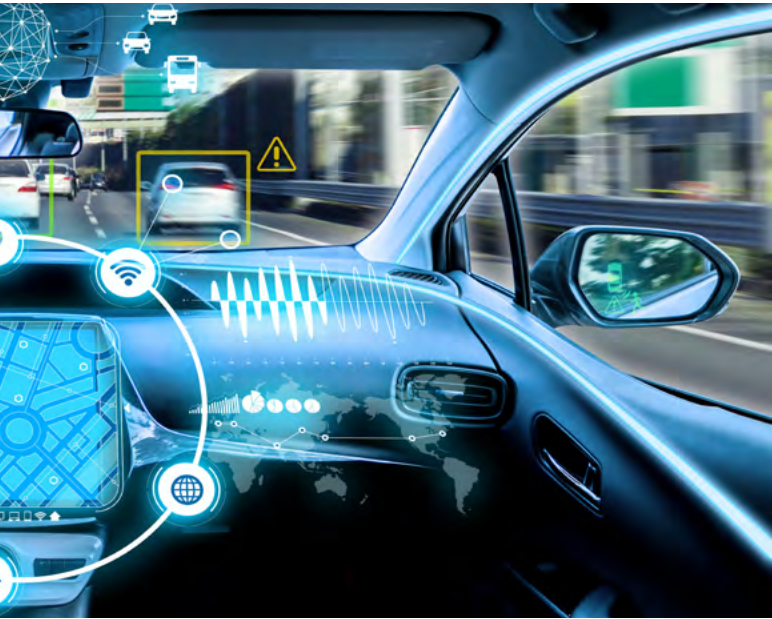
A DATA CENTER ON WHEELS

"The automotive industry is going through lots of transformation," says Joe Nelligan, CEO of Molex, "especially in the area of Advanced Driver Assistance Systems, or ADAS." These are the life-saving technologies that generate collision warnings and lane departure alerts. "These electronic vehicle components can reduce human error, which greatly enhances safety," Nelligan said. "They also help pave the way toward AD, or autonomous driving. We expect the growth in ADAS/AD technology to continue and accelerate for years to come."

For Molex, the emphasis is on technology. "Cars have essentially become a data center on wheels," Nelligan said. "Car dealers can now upgrade vehicles with a flash drive. In the future it will happen over the air, just like the doctor who can remotely adjust your pacemaker without ever having you visit the clinic." To make all that possible, a typical ADAS/AD application requires a vast array of complex components and solutions, including electronic control units to process data, sensors to perceive external data and software algorithms to synthesize the vehicle's environment in real time.

What makes development of that technology even more challenging is the fact it must be capable of integrating with whatever new technology or application may be right around the corner.





DESTRUCTING OURSELVES

Nelligan notes that when Molex was acquired by Koch in late 2013, “we had some first-generation automotive technology, including a plug-in for phones that we made for a major car company. But Charles Koch really challenged us to think bigger. Instead of just being a manufacturer making incremental improvements in our commodity products, he wanted us to really develop our innovation capability. He asked us to think about how we can create more value for customers while also capturing more value for the company.”

Molex learned the importance of pushing transformative innovation the hard way. Not long after it won the auto account, a competitor stepped in with newer and better plug-ins. Molex promptly lost the account. “We should have destructed our technology ourselves — that is, made it obsolete by coming up with something better,” Nelligan admits, “but someone did it to us. So we got serious about advancing our automotive technology and created a multi-chip module that combines charging and a connection capability in a single device. It helped us win back the account. We’re also doing some important work on gateways for one of the world’s largest auto manufacturers.”

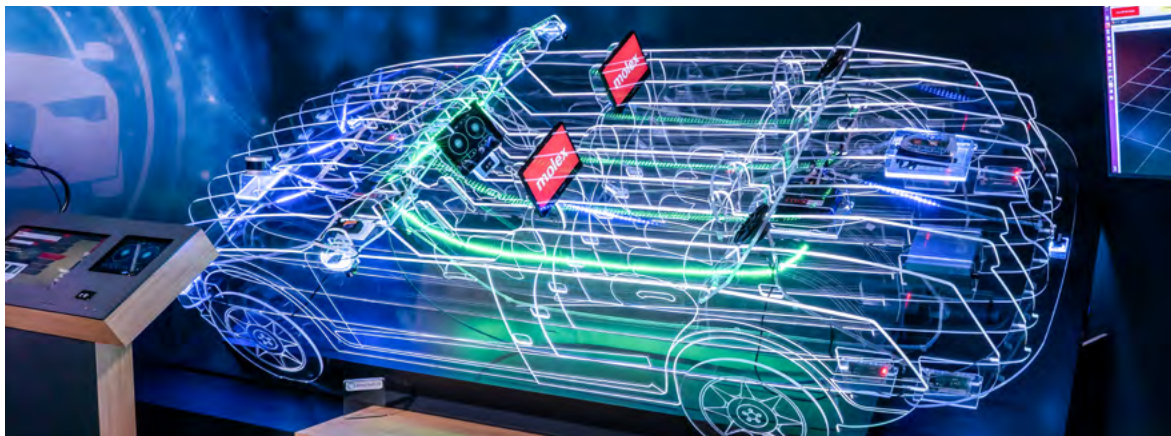
SHINING BRIGHT IN VEGAS

“There was a lot of buzz at the Consumer Electronics Show in Vegas last year about next-generation vehicles and what they can do for security and safety,” Nelligan said. “One of the biggest challenges to making these technologies practical is the ability to handle all the bandwidth requirements. That’s a game-changer. As autonomous features are added to a vehicle, they are consuming more and more data at higher and higher speeds.”

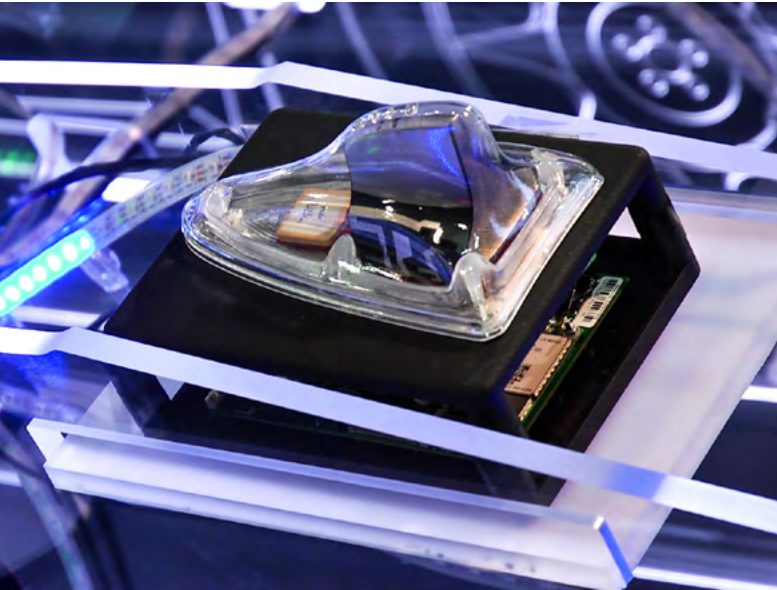
“So if you want to live up to our Vision, you can’t just meet today’s data demands, you’ve got to anticipate those of the future. Autonomous vehicles are going to require a lot of sensor data on top of the 4k video streaming to the back seat, synced to audio and video. Our display at CES allowed Molex to showcase our leadership in that area.”



KOCH.link/MolexCES2019



Cars have become data centers on wheels.



Look familiar? This popular car antenna is made by Laird CVS, which is now part of Molex.

Molex was the first company to develop an end-to-end automotive ethernet network capable of handling 10 GB per second of data flow. “Our end-to-end solution system is the connector, the cables, gateway modules, media modules, everything involved including software,” Nelligan explained. “We developed all of it. Our system has full-function capability for future-state vehicles. This is the future of connected mobility.”

It’s important to note, however, that Molex is not tackling these challenges alone. It is building partnerships with a wide variety of companies to make things happen. This is in keeping with Koch’s mental model of preferred partners.

MUTUAL BENEFIT

“We’ve been at the forefront of electronic innovation for decades,” Nelligan said, “but what we’re doing now is creating a new — and potentially enormous — cycle of mutual benefit that dwarfs anything we’ve done before. Our acquisition of Laird CVS, combined with our development of a 10 GB gateway, has really catapulted us into an entirely new realm.

“What’s especially exciting about all of this is seeing the contributions from employees who are really being given a chance to flex their entrepreneurial muscles and ‘show their stuff,’ so to speak. It has been enormously rewarding for them to see their innovations propel the company in a new way.”

Nelligan also points to what he calls “a whole new ecosystem of partners,” helping Molex create a seamless new technology environment for vehicles. That creativity is benefiting several other Koch companies.

“Our network sensor capability has tremendous potential for Georgia-Pacific and Flint Hills Resources. We’re already working with GP on asset health issues, and with FHR on using sensor data. If we weren’t a part of Koch, what business would be willing to take down part of their plant to test our ideas?

“Believe me, this is a two-way street where everyone is better off. That’s a great example of mutual benefit.”

IT’S ALL ABOUT VISION

“At Molex, our work in automotive technology is not the only thing that’s new or different,” Nelligan said. “We’re also developing our capabilities for medical devices — especially drug-delivery devices. Both of these industries, automotive and medical, have become increasingly important for us.

“Regardless of what industry we’re supporting, we’re not only rethinking our approach, we’re enthusiastically partnering with others as needed to close gaps so we can all create much higher value for our customers and ourselves.

“What’s interesting to me is that Koch is doing this at a societal level. We’re not only operating great companies, we’re trying to eliminate barriers and division in communities so we can help bring people together in new and better ways.

“When Koch acquired us almost six years ago,” Nelligan said, “no one on our team could have possibly anticipated all the great changes we’ve seen. It has been quite a transformation, with the certainty of more to come. But it all began with having the right Vision and then developing and applying the right capabilities.”



Steve Case (right) during a presentation in Wichita in March. Jason Illian (left) of Koch Disruptive Technologies moderated the event.

 KOCH.link/SteveCase

THE THIRD WAVE

Molex is a good example of not only Koch's mental models of mutual benefit and working with a broad array of preferred partners, but also a good illustration of what America Online founder Steve Case calls, "The Third Wave."

During a March visit to Koch's headquarters in Wichita, Case summarized his bestselling book, "The Third Wave," by explaining the history of the Internet. Case believes the first wave, which dates back to the 1980s, required building the infrastructure for the Internet — a task that required a great deal of cooperation and partnership between various businesses, entrepreneurs and innovators.

The second wave, in the early 2000s, saw the advent of important new players who used software to leverage the Internet once it had been established. These companies, including Google, Amazon and Facebook, didn't need partnerships the way their predecessors in the first wave did.

Now, Case says, we've entered the early stages of a third wave, where technology-based disruptions are reshaping entire industries such as health care, education and automotive production. This wave is less about software tools and more about the realities of daily life, including the so-called Internet of Things. "It's not so much about technology as it is people and culture," Case said. This third wave requires "policy, partnership and perseverance."

"That partnership aspect Case is talking about is especially important to us now," said Molex CEO Joe Nelligan. "Thanks to our new Vision, we're also intent on pursuing solutions where we're truly advantaged and can make a difference."

**The companies that really succeed
in the long run are the ones that
are open to experimentation.**

“

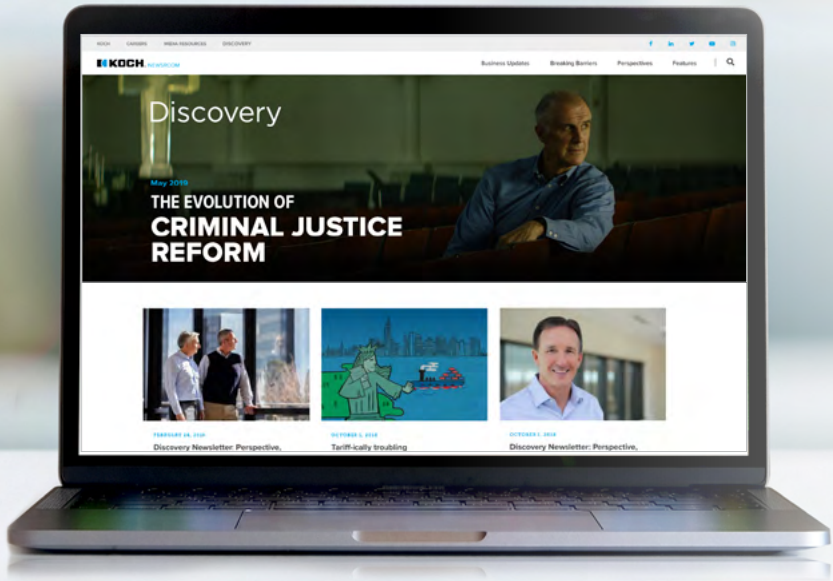
STEVE CASE

CHAIRMAN AND CEO OF REVOLUTION, AND
CO-FOUNDER OF AMERICA ONLINE (AOL)

mycompanystore.shop

YOUR ONE-STOP SHOP
FOR MERCHANDISE FROM
ALL KOCH COMPANIES.

myCOMPANYSTORE



We have upgraded the digital version of Discovery, making it more convenient to read on your desktop and mobile devices.

KOCH.link/Discovery

© 2019 Koch Industries, Inc. All rights reserved.

DISCOVERY | MAY 2019 | VOLUME 25 | NUMBER 2

EMAIL US Discovery@KOCHind.com

DISCOVERY ONLINE Koch.link/Discovery

EDITORIAL BOARD

Susan Armitage	Jeff Gentry	Amy Hennes	Walt Malone
Steve Church	Greg Guest	Charles Koch	Brad Razoak
Philip Ellender	Jim Hannan	Steve Lombardo	Dave Robertson

