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Compaq Files Suit Against S-Systems Inc., Anthony Sallee, Herbert Cates, and Dennis McIntosh

\$5 million in equipment seized in raid to stop illegal brokering

HOUSTON – April 17, 2002 – Compaq Computer Corporation (NYSE: CPQ) today announced it filed an amended complaint in Middlesex County, MA, in a case against defendants S-Systems Inc. and its owner Anthony Sallee, Tewksbury, MA; Herbert Cates, Kansas City, MO; and Dennis McIntosh, Kansas City, MO. Compaq alleges that defendants conspired to fraudulently obtain Compaq products and sell the goods on the gray market.

Acting on a seizure order from Middlesex Superior Court, investigators earlier raided a warehouse in Tewksbury, MA where fraudulently obtained Compaq products were being stored. As part of that raid, investigators gained access to documentation outlining the scheme by Sallee, Cates, and McIntosh to fraudulently obtain and resell Compaq products worth \$5 million. The documentation included written instructions outlining how defendants planned and implemented the scheme.

The complaint alleges that the defendants submitted a fraudulent purchase order for Compaq computer products and planned to divert the products to the gray market. In carrying out the court order more than 224 pallets of computer products were seized at the Tewksbury warehouse – all labeled for shipment outside the United States.

“This is a clear case of individuals attempting to illegally divert Compaq products. We continue to move aggressively against individuals or companies that make fraudulent representations to obtain Compaq product and participate in illegal brokering schemes,” said Thomas C. Siekman, Compaq senior vice president and General Counsel.

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“Compaq is absolutely committed to maintaining the highest levels of product quality and service that our customers have come to expect.”

Alleged Fraud Began in February

Compaq’s original complaint alleged that the fraud began in late February 2002 when the company received a large order for computer products from Case Western Reserve University, located in Cleveland, Ohio. Compaq received a purchase order on Case Western letterhead with instructions to ship the computer products to S-Systems in Tewksbury, MA to the attention of Anthony Sallee. According to the amended complaint, defendants Cates, McIntosh and Sallee jointly planned to submit the fraudulent purchase order and divided tasks among themselves to further the plan.

Compaq contacted Case Western regarding payment for the shipment and learned from school officials that the university did not issue the purchase order. Contacts with an endowment trust fund named in the purchase order also proved unsuccessful as Compaq learned that Case Western was unaware of actions being taken in the university’s name. The complaint outlines defendants’ false representations to Compaq to obtain equipment fraudulently, their lack of any effort to make payment to Compaq, and their plans to illegally divert the products for sale in the gray market.

The original lawsuit – filed in Middlesex County, MA, on March 21, 2002 – outlines Compaq’s case against defendants and includes: (1) Injunction to restrain defendants from transferring, conveying, destroying or relocating all Compaq goods; (2) Replevin – requiring the goods be returned to Compaq as Compaq is entitled to the property; (3) Conversion – defendants improperly converted property of Compaq to their own use without remitting payment; (4) Fraud and Deceit – Defendants false and fraudulent misrepresentation were made knowingly to procure products at substantial discount; (5) Unjust Enrichment – defendants through their actions have been unjustly enriched by their diversion and conversion of Compaq’s goods.

Compaq is seeking treble damages and attorney’s fees plus interest and costs.

Anti-Gray Market Alliance

Compaq is a founding member of the Anti-Gray Market Alliance (AGMA), a group of leading information technology companies committed to assuring their customers greater product satisfaction, to educating the marketplace about the illegal or



deceptive diversion of products, and to addressing the unauthorized flow of products to the gray market.

“Being a founding member of AGMA is an important element of our efforts to protect our customers,” said Bo McBee, vice president of Corporate Quality and Customer Satisfaction. “Through this industry-wide initiative, we can focus on developing real solutions to the potential quality problems customers face from gray market diversion in the marketplace. Our goal is to assure that every Compaq customer feels confident about the integrity of our products and enhance customer satisfaction for Compaq.”

For more information, visit the AGMA website at: <http://www.agmatoday.org>

About Compaq

Founded in 1982, Compaq Computer Corporation is a leading global provider of information technology products, services, and solutions for enterprise customers. Compaq designs, develops, manufactures, and markets information technology equipment, software, services, and solutions, including industry-leading enterprise storage and computing solutions, fault-tolerant business-critical solutions, communication products, personal desktop and notebook computers, and personal entertainment and Internet access devices that are sold in more than 200 countries directly and through a network of authorized Compaq marketing partners. Information on Compaq and its products and services is available at www.compaq.com.

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