

July 22, 2003

PRESS RELEASE

**OHIO MAN PLEADS GUILTY TO DEFRAUDING
COMPAQ COMPUTER CORP.**

Boston, MA... An Ashtabula, Ohio resident pleaded guilty today in federal court to engaging in a multi-million dollar "gray market" scheme to defraud Compaq Computer Corp. ("Compaq").

United States Attorney Michael J. Sullivan and Kenneth W. Kaiser, Special Agent in Charge of the Federal Bureau of Investigation in New England, announced today that LEROY ANTHONY SALLEE, age 44, of Ashtabula, Ohio, pleaded guilty before U.S. District Judge Patti B. Saris to all counts of a superseding indictment charging him with mail and wire fraud, and interstate transportation of property taken by fraud, in connection with a \$2.5 million scheme to defraud Compaq, Corp.

At today's plea hearing, the prosecutor told the Court that, had the case proceeded to trial, the government's evidence would have proven that during the time period of January to March, 2002, SALLEE and three other defendants engaged in a scheme to defraud Compaq in connection with the purchase of over \$3.1 million in computer equipment. The defendants are alleged to have submitted a false purchase order to Compaq on February 25, 2002 representing that Case Western Reserve University ("CWRU") wanted to purchase the equipment for use in a clinical trial of a new drug, when, in fact, the computer equipment was destined for re-sale in Canada and England. The list price for the computer equipment purchased was over \$5.6 million. By falsely stating that the equipment was being purchased by CWRU, and that there was a competing offer from Dell Computer Corp., the defendants were able to obtain the computer equipment for \$3.148 million. SALLEE rented a warehouse in Tewksbury, Massachusetts which received the computer equipment and he later re-shipped the equipment to customers in Canada and England. Such sales of goods outside the authorized distribution channel as those by SALLEE, who was not an authorized Compaq reseller, are commonly referred to in the computer equipment industry as "gray market" sales.

Judge Saris scheduled sentencing for October 21, 2003. SALLEE faces a maximum sentence on each of the mail and wire fraud counts of 5 years in prison, to be followed by a 3 years of

supervised release, and a fine of \$250,000, restitution, and forfeiture of any criminally-derived proceeds. The interstate shipment count carries a maximum penalty of 10 years in prison.

SALLEE's three co-defendants, JANICE DOUGLAS, age 60, of Bratenhall, Ohio, HERBERT H. CATES, age 45, of Kansas City, Kansas, and DENNIS P. MCINTOSH, age 50, of Lee's Summit, Missouri, are scheduled to begin trial before Judge Saris on July 28, 2003.

The case was investigated by the Federal Bureau of Investigation in Boston, Cincinnati and Cleveland. It is being prosecuted by Assistant U.S. Attorney Peter Mullin in Sullivan's Economic Crimes Unit and Assistant U.S. Attorney Emily Schulman in Sullivan's Public Corruption and Special Prosecutions Unit.

Press Contact: Samantha Martin, (617) 748-3139