

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

UNITED STATES OF AMERICA)	
)	CRIMINAL NO. 02-10241-PBS
v.)	VIOLATIONS:
)	18 U.S.C. § 1341 - Mail Fraud
LEROY ANTHONY SALLEE,)	18 U.S.C. § 1343 - Wire Fraud
JANICE DOUGLAS,)	18 U.S.C. § 2314 - Interstate
aka JANICE BALTIMORE,)	Transportation of Stolen
HERBERT H. CATES,)	Property
DENNIS P. MCINTOSH,)	
Defendants.)	

SUPERSEDING INDICTMENT

The Grand Jury charges:

At all times material to this indictment:

Persons and Entities

1. LEROY ANTHONY SALLEE ("SALLEE") was an individual whose last known residence was located at 608 Lincoln Street, Middletown, Ohio. SALLEE did business in the name S Systems, Inc. ("S Systems"), an Ohio corporation which has been cancelled since 1995.

2. HERBERT H. CATES ("CATES") was an individual whose last known residence was located at 1515 North 78th Street, Kansas City, Kansas. At times material to this indictment, CATES was employed as an account executive by Missouri Information Solutions, Inc. in Kansas City, Missouri, an authorized reseller of Compaq equipment.

3. JANICE DOUGLAS ("DOUGLAS"), a/k/a JANICE BALTIMORE, was an individual residing in Bratenhall, Ohio, and was employed as a medical school professor and Director of the Hypertension Unit at Case Western Reserve University's Medical School in Cleveland, Ohio.

4. DENNIS P. MCINTOSH ("MCINTOSH") was an individual residing at 5524 NE Oaks Ridge Lane, Lee's Summit, Missouri. On or about January 31, 2002, MCINTOSH entered into a Consulting Agreement with S Systems, pursuant to which MCINTOSH was engaged as an "Independent Business Development Consultant" for the purpose, among others, of providing services to complete hardware purchases between S Systems and current customers. S Systems agreed to pay MCINTOSH \$8,000 for his services.

5. Compaq Computer Corp. ("Compaq") was a business corporation duly organized under the laws of Delaware, with several places of business in Massachusetts, including in Marlboro and Littleton. Compaq is a manufacturer of computer equipment.

Scheme to Defraud

6. From in or about January 2002 through in or about March 2002, the defendants engaged in a common scheme to defraud Compaq Computer Corp. by ordering thousands of units of computer

equipment at steeply discounted prices under the false pretense that the end-user for such equipment was the Medical School at Case Western Reserve University. Under Compaq discount programs known as GEM, which is applicable to sales to government, educational, and military institutions, and TOSS ("Targeted Opportunity Sales Strategy") pricing generally used to offer a very favorable bid in order to win an attractive new customer, the discounted purchase price of the Compaq computer equipment defendants ordered totaled \$3,148,200. The ordinary purchase price of the equipment was over \$5 million. Defendants fraudulently induced Compaq Computer Corp. to sell the equipment at such a steeply discounted price by representing that the end-user was Case Western Reserve University, an educational institution which was not a previous user of Compaq equipment.

7. In fact, the defendants never intended for Case Western Reserve University to take delivery of the computer hardware. They anticipated that the equipment would be delivered into SALLEE's custody and control for resale on the so-called "gray market" to specific, known end-users abroad who were not entitled to participate in the discount programs. The "gray market" for Compaq equipment refers to distribution channels that are outside the network of Compaq-authorized

dealers and resellers.

8. It was part of the scheme for the parties to collaborate in fabricating an elaborate story according to which DOUGLAS, ostensibly on behalf of the Medical School at Case Western Reserve University, was responsible for a research grant issued by a major drug manufacturer about to obtain FDA approval for a new product. The research grant required the collection of testing data in 300 different cities across the United States, and therefore required 300 computer servers, as well as thousands of hard drives and other pieces of equipment.

9. It was further part of the scheme for CATES, in his capacity as an account executive for Missouri Information Solutions, which was an authorized reseller of Compaq computer equipment, to negotiate with Compaq the details of the transaction, including the TOSS pricing.

10. It was further part of the scheme for the participants to describe SALLEE's role in the transaction as the "integrator" of the equipment, and a "consultant" to DOUGLAS in connection with utilization of the equipment, in order to justify the delivery of the equipment to his warehouse premises in Tewksbury, Massachusetts rather than to Case Western Reserve University.

11. It was further part of the scheme for the participants to describe MCINTOSH's role as "Project Manager."

12. It was further part of the scheme for the defendants to collaborate on the preparation of documents needed to complete the purchase of equipment from Compaq. These included a letter from DOUGLAS requesting a price quote, a letter explaining the purpose of the equipment, a detailed part list, and after Compaq provided a price quote, a purchase order and cover letter from DOUGLAS on Case Western Reserve University letterhead.

13. It was further part of the scheme for DOUGLAS, SALLEE, and MCINTOSH, on or about February 18, 2002, to engage in a telephone conversation with a representative of Compaq to answer questions about the purchase. The defendants confirmed that the equipment was for a Case Western Reserve University Medical School project.

14. It was further part of the scheme for the defendants to issue a purchase order, dated February 25, 2002, to Compaq for thousand of items of computer equipment on behalf of Case Western Reserve University, at a purchase price of \$3,148,200.

15. The February 25, 2002 cover letter, which DOUGLAS, ostensibly on behalf of Case Western Reserve University, sent to

Compaq, instructed Compaq that "our systems contractor for the project, S Systems, Inc., is authorized to accept delivery of the equipment. Questions regarding the equipment order should be directed to S Systems for resolution and handling . . .".

16. It was further part of the scheme to prescribe a warehouse, which was under SALLEE's control, located in Tewksbury, Massachusetts, for delivery of the Compaq equipment.

17. It was further part of the scheme for defendants to misrepresent to Compaq that payment would be made through a Case Western Reserve University "endowment trust fund" account which in fact was an unfunded IOLTA escrow account set up by SALLEE with an attorney.

18. It was further part of the scheme for the defendants to take steps to prevent Compaq from contacting Case Western Reserve University except through DOUGLAS, and to provide DOUGLAS with a script to use in responding to Compaq's questions about the proposed sale.

19. In fact, as the defendants knew and intended, Case Western Reserve University did not issue or authorize a purchase order for the equipment and its purchasing officials had no knowledge of the transaction. DOUGLAS was not authorized to engage in the transaction with Compaq on behalf of Case Western

Reserve University.

20. It was further part of the scheme for defendant SALLEE, who was not an authorized dealer or reseller of Compaq equipment, to sell the Compaq equipment to customers in Canada, Nashville, Tennessee, and Great Britain, for use and resale to ultimate end-users abroad.

21. As a result of the scheme, SALLEE received over \$2 million in proceeds from the sale and shipment of the Compaq equipment, but made no payment to Compaq on the fraudulent Case Western Reserve University invoice. Instead, SALLEE distributed a portion of the proceeds to pay personal debts, to purchase a new Lexus car, to pay DENNIS MCINTOSH his consulting fee in the amount of \$8,000, to pay HERBERT H. CATES on his invoice in the amount of \$10,000 for his role in the scheme, and to pay \$6,000 to a relative of JANICE DOUGLAS.

COUNTS ONE - THREE: 18 U.S.C. § 1341 - Mail Fraud

22. The allegations contained in paragraphs 1 through 21 are repeated and incorporated herein by reference.

23. On or about each of the dates set forth below, at Tewksbury, in the District of Massachusetts, and elsewhere,

LEROY ANTHONY SALLEE,
HERBERT H. CATES,
DENNIS P. MCINTOSH,
and

JANICE DOUGLAS,

defendants herein, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, for the purpose of executing such scheme and artifice and attempting so to do, did place and cause to be placed in a post office and authorized depository for mail matter, matters and things to be sent and delivered by the Postal Service, and did deposit and cause to be deposited matters and things to be sent and delivered by private and commercial interstate carrier, and did take and receive and cause to be taken and received therefrom matters and things, and did knowingly cause to be delivered by mail and such carrier according to the direction thereon, and at the place at which it is directed to be delivered by the person to whom it is addressed, matters and things, as described below:

COUNT	DATE	DESCRIPTION
1	February 8, 2002	UPS Next Day Delivery from Janice Douglas, Div of Hypertension, Case Western Som W 165, 10900 Euclid Ave, Cleveland, OH 44106 to Anthony Sallee, S Systems Inc., 1500 Shawsheen St. Tewksbury, MA 01876

2	February 13, 2002	FedEx package from Leroy Anthony Sallee, S Systems, 1500 Shawsheen Street, Tewksbury, MA 01877 to Dr. Janice Douglas, Case Western Reserve Univ., 10900 Euclid Ave., Cleveland, OH 44106
3	February 18, 2002	FedEx package from Janice Douglas, CWRU Med School, W165 - SOM, Cleveland, Ohio 44106 to S. Systems, Inc., A. Sallee, 1500 Shawsheen St., Tewksbury, MA 01876

Each in violation of Title 18, United States Code, Sections 1341 and 2.

The Grand Jury further charges:

COUNTS FOUR - FOURTEEN: 18 U.S.C. § 1343 - Wire Fraud

24. The allegations contained in paragraphs 1 through 21 are repeated and incorporated herein by reference.

25. On or about each of the dates set forth below, at Tewksbury, and elsewhere in the District of Massachusetts,

LEROY ANTHONY SALLEE,
HERBERT H. CATES,
DENNIS P. MCINTOSH,
and
JANICE DOUGLAS,

defendants herein, having devised and intending to devise a scheme and artifice to defraud, and for obtaining money and property by means of false and fraudulent pretenses, representations, and promises, for the purpose of executing such scheme and artifice, did transmit and cause to be transmitted by means of wire communication in interstate and foreign commerce, writings, signs, signals, pictures, and sounds, as described below:

COUNT	DATE	DESCRIPTION
4	February 6, 2002	Facsimile transmission of letter from Leroy Anthony Sallee from (508) 691-4313 to James J. Keys, Jr. at (513) 759-9899
5	January 31, 2002	Facsimile transmission of Consulting Agreement from Dennis McIntosh [(816)478-1486] to Anthony Sallee [(978)851-2700]

6	February 18, 2002	Telephone call from Dennis McIntosh [(816)478-1435] to Leroy Anthony Sallee at [(978)640-9197]
7	February 18, 2002	Telephone conference call from Leroy Anthony Sallee in Tewksbury, MA to Janice Douglas, Dennis McIntosh, another individual, and Mark Dennis, a Compaq representative
8	February 21, 2002	Telephone conference call from Leroy Anthony Sallee in Tewksbury, MA to Dennis McIntosh, Mark Dennis, and another individual.

9	February 25, 2002	Facsimile transmission from Dennis McIntosh [(816)478-1486] to Anthony Sallee in Tewksbury, MA [(978) 851-5617].
10	February 25, 2002	Facsimile transmission from Janice Douglas [(216)368-4752] to Anthony Sallee at [(978)851-2700] of Purchase Order and Cover Letter to Compaq Computer Corp.
11	February 25, 2002	Facsimile transmission from Janice Douglas [(216)368-4752] to Compaq Computer Corp. at [(978)506-9360] in Littleton, MA of Purchase Order and Cover Letter

12	March 15, 2002	Cell phone call from Janice Douglas [(216)406-8899] to Leroy Anthony Sallee in Tewksbury, MA [(978) 851-5617]
13	March 15, 2002	Facsimile transmission from Janice Douglas, Kinko's Marriott Marquis, Atlanta, Georgia [(404)586-6299] to Anthony Sallee in Tewksbury, MA
14	March 19, 2002	Facsimile transmission from Herb Cates [(816)358-5546] to Anthony Sallee in Tewksbury, MA [(Invoice for Private Consulting Services and acknowledging payment in full)]

Each in violation of Title 18, United States Code, Section 1343 and 2.

COUNT FIFTEEN: 18 U.S.C. § 2314 - Interstate Transportation of Property Acquired by Fraud

26. The allegations contained in paragraphs 1 through 21 are repeated and incorporated herein by reference.

27. In or about March, 2002, at Tewksbury, in the District of Massachusetts,

LEROY ANTHONY SALLEE,

defendant herein, did transport, transmit, and transfer, and did cause to be transported, transmitted, and transferred, in interstate and foreign commerce, goods, wares, and merchandise, to wit, Compaq computer equipment, of the value of \$5,000 and more, knowing the same to have been stolen, converted, and taken by fraud.

All in violation of Title 18, United States Code, Sections 2314 and 2.

FORFEITURE ALLEGATIONS

(18 U.S.C. § 982(a)(1)(c) and 28 U.S.C. § 2461(c))

28. As a result of the offenses charged in Counts One -
Thirteen of this Indictment,

LEROY ANTHONY SALLEE,
HERBERT H. CATES,
and
DENNIS P. MCINTOSH,

defendants herein, shall forfeit all property, real or personal,
which constitutes, or is derived from, proceeds traceable to the
commission of the offense, including but not limited to:

(a) \$1,829,867.20 in United States currency;

(b) one 1999 Lexus Station Wagon RX300, bearing Vehicle
Identification Number JT6HF10U2X0051060, and registered in the
name of Vicki Jervis;

(c) \$10,000 paid to HERBERT H. CATES; and

(d) \$8,000 paid to DENNIS P. MCINTOSH.

29. As a result of the offense charged in Count Fourteen of
this Indictment,

LEROY ANTHONY SALLEE,

defendant herein, shall forfeit all property, real or personal,
which constitutes, or is derived from, proceeds traceable to the
commission of the offense, including but not limited to:

(b) \$1,829,867.20 in United States currency; and

(b) one 1999 Lexus Station Wagon RX300, bearing Vehicle Identification Number JT6HF10U2X0051060, and registered in the name of Vicki Jervis.

30. If any of the above-described forfeitable property, as a result of any act or omission of the defendants or any of them:

- (1) cannot be located upon the exercise of due diligence;
- (2) has been transferred, sold to, or deposited with a third person;
- (3) has been placed beyond the jurisdiction of the Court;
- (4) has been substantially diminished in value; or
- (5) has been commingled with other property which cannot be subdivided without difficulty;

it is the intent of the United States, pursuant to 21 U.S.C. § 853(p), to seek forfeiture of any other property of said defendant up to the value of the above forfeitable property.

All in violation of Title 18, United States Code, Section 981 and Title 28, United States Code, Section 2461(c).