

U.S. Department of Justice

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PRESS RELEASE

**MEDICAL PROFESSOR AND THREE OTHERS CHARGED IN
MULTI-MILLION DOLLAR SCHEME TO DEFRAUD COMPAQ**

Boston, MA... A federal grand jury returned a superseding indictment today charging a professor at Case Western Reserve University's Medical School in Cleveland, Ohio and three others with engaging in a multi-million dollar "gray market" scheme to defraud Compaq Computer Corp.

United States Attorney Michael J. Sullivan and Charles S. Prouty, Special Agent in Charge of the Federal Bureau of Investigation in New England, announced today that **JANICE DOUGLAS**, age 59, of Bratenhall, Ohio, **LEROY ANTHONY SALLEE**, age 43, of Ashtabula, Ohio, **HERBERT H. CATES**, age 44, of Kansas City, Kansas, and **DENNIS P. MCINTOSH**, age 49, of Lee's Summit, Missouri, were charged today in a fifteen-count superseding indictment. All of the defendants were charged with 14 counts of mail and wire fraud. **SALLEE** was also charged with the interstate and foreign shipment of goods stolen, converted or obtained by fraud.

According to the superseding indictment, the four defendants engaged in a scheme to defraud Compaq Computer Corp. ("Compaq") by submitting a purchase order to Compaq for equipment whose ordinary retail value would have been over \$5 million. It is alleged that by falsely representing that the purchase order was submitted on behalf of Case Western Reserve University by **DOUGLAS**, a professor at Case Western's medical school and Director of its Hypertension Unit, the defendants were able to negotiate with Compaq for educational discounts worth approximately \$2 million. The defendants represented that **DOUGLAS** was responsible for a research grant issued by a major drug manufacturer about to obtain FDA approval for a new product, and that the grant required the collection of testing data in 300 different cities around the country, requiring millions of dollars worth of computer equipment.

It is alleged that in fact, as the defendants knew, **SALLEE**, who was not an authorized Compaq reseller, intended to resell the goods to purchasers outside the country. Such sales of goods outside the authorized distribution channel is known as "gray market sales."

The superseding indictment alleges that **CATES**, an account executive at Missouri

Information Solutions, Inc., Kansas City, Missouri, an authorized reseller of Compaq equipment, negotiated the details of the transaction, including the discounted pricing, with Compaq. **MCINTOSH**, who entered into a consulting agreement with **SALLEE** as an “Independent Business Development Consultant,” was represented to Compaq to be the “Project Manager.”

The superseding indictment alleges that based on the false representation that **SALLEE** was the project’s equipment “integrator,” Compaq was induced to ship the equipment to a warehouse in Tewksbury, Massachusetts. **SALLEE** then shipped millions of dollars worth of the computer equipment from the Tewksbury warehouse to “gray market” purchasers outside the country and never paid Compaq even the discounted price.

Today’s defendants and charges were added to a pre-existing indictment returned in August of 2002, charging **SALLEE** with interstate shipment of property obtained by fraud. At that time, **SALLEE** surrendered to federal authorities in Ohio. He has since made an appearance in federal district court in Boston and was released on \$100,000 unsecured bond and placed in home detention with electronic monitoring in Ohio pending the outcome of the case.

The superseding indictment also seeks forfeiture of \$1.83 million from all of the defendants and a Lexus station wagon owned by **SALLEE**, alleged to be derived from proceeds of the offense.

If convicted, the defendants each face a maximum penalty 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 against **SALLEE** carries a maximum penalty of 10 years in prison.

The investigation is continuing.

The case was investigated by the Federal Bureau of Investigation in Boston, Cincinnati and Cleveland. It is being prosecuted by Assistant U.S. Attorney Jeanne M. Kempthorne in Sullivan’s Economic Crimes Unit.

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