

IN THE UNITED STATES DISTRICT COURT FOR THE  
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

|                          |   |              |
|--------------------------|---|--------------|
| UNITED STATES OF AMERICA | ) |              |
|                          | ) |              |
| v.                       | ) | CRIMINAL NO. |
|                          | ) |              |
| JEFFREY R. ANDERSON,     | ) |              |
|                          | ) |              |
| Defendant.               | ) |              |

STATEMENT OF FACTS

The United States and the defendant, Jeffrey R. Anderson (“Anderson”), agree that had this matter proceeded to trial, the United States would have proven the facts set forth in this statement of facts beyond a reasonable doubt. Unless otherwise stated, the time periods for the facts set forth herein are at all times relevant to the charge in the Information.

I. BACKGROUND

(1) From January 2000 until November 2001, Anderson was employed at PurchasePro.com, an internet software company headquartered in Las Vegas, Nevada (“PurchasePro”). During this time, Anderson held the position of Senior Vice President of Sales and Strategic Development at PurchasePro.

(2) In 2000 and 2001, PurchasePro was engaged in the sale of sourcing software, materials management and procurement software and services. PurchasePro’s common stock traded on the Nasdaq National Market under the symbol “PPRO”.

(3) By mid-2000 and continuing through 2001, PurchasePro’s principal product was a so-called business-to-business “marketplace license”. As promoted by PurchasePro, the

business-to-business marketplace license allowed small and large businesses to buy and sell products on the internet in an allegedly cost efficient manner. PurchasePro sold software to marketplace license purchasers that allegedly enabled those purchasers either to buy and sell products by participating directly in PurchasePro's own web-site based marketplace or to create their own branded marketplace using PurchasePro's software.

(4) As the senior officer at PurchasePro in charge of sales, Anderson's duties and responsibilities included, but were not limited to: (i) the supervision of PurchasePro's sales force of between approximately 50 and 150 people; (ii) the direct management of sales for certain strategic partners of PurchasePro including, among others, a major media company headquartered in the United States ("Media Company"); (iii) the calculation and projection of revenue from the sale of all PurchasePro marketplace licenses; and (iv) the execution of written representations to PurchasePro's independent outside auditors that there were no undisclosed or unidentified written agreements, oral agreements, obligations to deliver future products or other related transactions associated with the sale of marketplace licenses for which PurchasePro sought revenue recognition. Between January 2000 and November 2000, Anderson reported directly to the President and Chief Operating Officer at PurchasePro, and then between December 2000 and June 2001 he reported to that individual's successor.

(5) As a public company, PurchasePro was required to comply with the rules and regulations of the United States Securities and Exchange Commission ("SEC"). Those rules and regulations are intended to protect members of the investing public by, among other things, requiring that a company's financial statements are accurately recorded and reported to the

investing public. PurchasePro made periodic filings with the SEC which included, among other things, its financial statements.

(6) As a public company, PurchasePro retained an independent public accounting firm to act as PurchasePro's independent outside auditors ("PurchasePro's auditors"). Among other responsibilities, PurchasePro's auditors were required to decide whether to approve the recognition of revenue resulting from the sale of marketplace licenses in PurchasePro's audited financial statements. Generally speaking, Anderson and other senior members of PurchasePro's management knew that the existence of other transactions related to the sale of a marketplace license was significant to the decision of PurchasePro's auditors whether to approve recognition of all, some or none of the revenue from the sale of a marketplace license. Anderson admits that he and other senior members of PurchasePro's management had the ultimate responsibility for proper revenue recognition of PurchasePro's sales and for the reporting of accurate financial statements to the public.

(7) On or about March 15, 2000, PurchasePro and the Media Company entered into a series of contractual agreements. Among those agreements were the Interactive Marketing Agreement ("IMA"), the Technology Development Agreement ("TDA") and the Warrant Agreement. As a whole, the agreements were intended to create a strategic partnership between the Media Company and PurchasePro in which they would co-develop a massive business-to-business global marketplace on the Media Company's internet platform.

(8) Pursuant to the IMA, PurchasePro was required to pay the Media Company \$50 million in cash (\$25 million upon signing and \$3.57 million each quarter for the seven quarters ending December 2001). In exchange for these payments, the Media Company would

allow PurchasePro to be the Media Company's strategic partner and co-develop a business-to-business global marketplace on the Media Company's internet platform.

(9) Pursuant to the TDA, PurchasePro was required to pay the Media Company a total of \$20 million (\$2.5 million per quarter beginning in or about August 2000). According to the contract, these payments by PurchasePro to the Media Company were intended to reimburse the Media Company for the development costs associated with building the Media Company's internet platform.

(10) On or about November 18, 2000, the Media Company and PurchasePro amended the Warrant Agreement to allow the Media Company to earn PurchasePro warrants. A warrant agreement is an agreement allowing the owner to buy a specified amount of stock at specified times for a specified price. In this case, each warrant allowed the Media Company to acquire one share of PurchasePro common stock. The value of the warrants that could be earned by the Media Company was capped at \$30 million for the fourth quarter of 2000 and was determined by an agreed-upon formula set forth in the amended Warrant Agreement. Under specific circumstances, the formula allowed the Media Company to be credited \$3 for each single dollar of revenue PurchasePro recognized. The specific circumstances included each dollar of revenue that PurchasePro recognized based on sales of PurchasePro marketplace licenses to third parties that had been referred to PurchasePro by the Media Company. The PurchasePro revenue had to be recognizable under generally accepted accounting principles. In short, the Media Company earned a \$3 credit for each \$1 of revenue it referred to PurchasePro. The amended Warrant Agreement did not allow the Media Company to earn warrants by making its own direct purchases of PurchasePro products and services. Based on the formula agreed upon in the

amended Warrant Agreement, in the fourth quarter of 2000, the Media Company “earned” approximately 1.8 million warrants. Because each warrant could be used to acquire one share of PurchasePro common stock from PurchasePro, the approximate 1.8 million warrants allowed the Media Company to acquire approximately 1.8 million shares of PurchasePro common stock, which PurchasePro and the Media Company valued at about \$30 million as of December 31, 2000. In this way, in the fourth quarter of 2000, the Media Company “earned” the maximum value of warrants allowed under the amended Warrant Agreement.

(11) Anderson admits that he learned about certain details of the amended warrant agreement between the Media Company and PurchasePro from one or more co-conspirators, including the fact that the Media Company was to earn warrants for revenue referred to PurchasePro. Anderson was fully familiar with the IMA and was knowledgeable about certain details of the TDA.

## II. THE CONSPIRACY TO DEFRAUD

(12) From in or about November 2000 to in or about June 2001, in the Eastern District of Virginia and elsewhere, Anderson admits that he, other senior members of PurchasePro’s management, and a Media Company employee, knowingly and unlawfully combined, conspired, confederated, and agreed with each other to commit an offense against the United States in violation of 18 U.S.C. § 371. Specifically, Anderson admits that he and his co-conspirators, having devised and intended to devise a scheme and artifice to defraud PurchasePro of its right to honest services, and for obtaining money and property by means of false and fraudulent pretenses, representations and promises, from PurchasePro and shareholders of

PurchasePro, conspired to transmit and cause to be transmitted by means of wire, radio and television communication in interstate and foreign commerce, writings, signs, signals, pictures and sounds for the purpose of executing such scheme and artifice, an offense against the United States pursuant to 18 U.S.C. § 1343. Anderson admits that he and his co-conspirators committed acts in furtherance of the conspiracy, as described further below.

(13) Anderson admits that he and his co-conspirators within PurchasePro and the Media Company conspired to falsely inflate the revenue that PurchasePro recognized and announced to the investing public from the sale of PurchasePro marketplace licenses and other products.

(14) In order to induce purchasers to buy the PurchasePro marketplace licenses, Anderson and certain of his co-conspirators made oral and written commitments that the co-conspirators would, among other things, do one or more of the following: (i) buy an equivalent or greater amount of products from the license purchasers; (ii) provide on-line advertising to the license purchasers; (iii) invest in the license purchasers; and (iv) otherwise make the license purchasers whole in the future for the cost of the marketplace license purchases. Collectively, these commitments shall hereinafter be referred to as “side agreements”.

(15) Anderson admits that he and certain of his co-conspirators conspired to lie to and otherwise deceive PurchasePro’s auditors about the existence of the side agreements. Anderson further admits that he and certain of his co-conspirators agreed to lie to and otherwise deceive PurchasePro’s auditors because Anderson and certain of his co-conspirators believed that disclosure of the side agreements would cause PurchasePro’s auditors to disapprove of the revenue recognition for the full amount of the sales of marketplace licenses and other products.

Anderson admits that he and certain of his co-conspirators discussed disclosure of the side agreements to PurchasePro's auditors and they agreed not to disclose the agreements to the auditors.

(16) Anderson admits that he and certain of his co-conspirators believed that the greater the revenue from the sales of marketplace licenses and other products not approved by PurchasePro's auditors, the greater the likelihood that PurchasePro would fail to meet its announced quarterly revenue projections. Anderson further admits that he and certain of his co-conspirators believed that the more PurchasePro failed to meet its announced quarterly revenue projections, the greater the likelihood that the price of PurchasePro's publicly traded stock would decline in value.

(17) Anderson admits that the conspiracy had multiple goals, including, but not limited to, the following:

(A) Anderson admits that it was a goal of the conspiracy that he and certain of his co-conspirators within PurchasePro and the Media Company would falsely inflate the revenue reported by PurchasePro to the public and in its filings with the United States Securities and Exchange Commission for PurchasePro's fourth quarter of 2000 and PurchasePro's first quarter of 2001 by a material amount. Anderson admits that this goal was achieved, in part, by artificially boosting the sale of marketplace licenses by making secret side agreements to the marketplace license purchasers that would in effect make the purchasers whole for the cost of the marketplace license and hiding those related side agreements from PurchasePro's auditors and the investing public. In the fourth quarter of 2000, the side agreements made to the purchasers to induce the license sales were primarily made by

PurchasePro. In the first quarter of 2001, the side agreements made to the purchasers to induce the license sales were made either by employees of the Media Company, employees of PurchasePro or both.

(B) Anderson admits that the another goal of the conspiracy was to sustain PurchasePro's outward appearance as a growing and successful internet software company in late 2000 and early 2001 when Anderson and certain of his co-conspirators knew that PurchasePro's revenue growth, such as it was, resulted in large part from the systematic use of secret side agreements to sell PurchasePro's revenue generating products.

(C) Anderson admits that another goal of the conspiracy was to meet the revenue estimates for PurchasePro as disseminated by Wall Street to the investing public. Anderson admits that he and certain of his co-conspirators believed that meeting Wall Street's revenue expectations, even by fraudulent means, was the best way to support the price of PurchasePro's publicly-traded stock.

(D) Anderson admits that another goal of the conspiracy was for Anderson and certain of his co-conspirators to profit personally from their fraud. Anderson admits that a goal of the conspiracy was to allow him to profit from this conspiracy by, among other ways: (i) exercising options to buy PurchasePro stock if the price of the stock rose above the strike price of his options and to sell that same PurchasePro stock at a profit, which goal was not successfully achieved; (ii) keeping his job at PurchasePro and continuing to receive salary at PurchasePro which Anderson admits that he was able to do through November 2001; and (iii) preserving the possibility of obtaining profitable stock options in the future.



(18) Anderson admits that in or about April 2001, Anderson received from PurchasePro stock options for about 75,000 shares of PurchasePro stock that was sought and approved by, among other persons, a senior officer at PurchasePro.

### III. ACTS UNDERTAKEN IN FURTHERANCE OF THE CONSPIRACY

(19) The following are some of the specific acts that Anderson admits that he undertook or was otherwise involved in and that he admits were committed in furtherance of the conspiracy.

#### A. Marketplace License Sales in the Fourth Quarter of 2000

(20) In the fourth quarter of 2000, Anderson personally negotiated or was otherwise involved in the negotiation and eventual sale of a PurchasePro marketplace license to each of the following three marketplace license purchasers: a company in the internet clothing supply business (“Clothing Company”), a company that developed a payment system for internet purchases (“Payment Solution Company”) and a company in the motorcycle business (“Motorcycle Company”). In all three license sales as described further below, Anderson admits that he and certain of his co-conspirators were able to sell the licenses and PurchasePro was able to recognize the resulting revenue only after Anderson and certain of his co-conspirators within PurchasePro made or caused to be made secret side agreements for either PurchasePro or a senior officer of PurchasePro to invest or promise to invest in the Clothing Company, the Payment Solution Company and the Motorcycle Company, and then lied to and otherwise deceived PurchasePro’s auditors about the existence of these side agreements.

(21) In or about December 2000, Anderson admits that, at the direction of a senior officer of PurchasePro, he personally participated in negotiations with principals from the Clothing Company whereby PurchasePro promised to “invest” \$250,000 in the Clothing Company’s next round of financing. In this way, Anderson admits that PurchasePro arranged to help the Clothing Company by enabling it to pay for PurchasePro’s marketplace license. In addition, Anderson learned that without PurchasePro’s investment, the Clothing Company would have significant difficulty attracting additional investors and thereby obtain the funding needed to pay the full price of the marketplace license. When the Clothing Company failed to pay for the full amount of the marketplace license in the first quarter of 2001, Anderson admits that he never disclosed to PurchasePro’s auditors the fact that a senior officer within PurchasePro had promised to invest PurchasePro’s monies in the Clothing Company.

(22) In the fourth quarter of 2000, Anderson knew that the Payment Solution Company had agreed to purchase two marketplace licenses for about \$1.1 million each. Anderson admits that he knew that the Payment Solution Company had agreed to purchase the second \$1.1 million marketplace license only in exchange for a simultaneous \$1 million loan from PurchasePro to the Payment Solution Company (the “\$1 million Payment Solution Company note”). Anderson also knew at the time that, without the \$1 million loan from PurchasePro, the Payment Solution Company would not have purchased the second \$1.1 million marketplace license and would not have been able to pay for that license. Anderson admits that, when told to do so by a co-conspirator within PurchasePro, an instruction which Anderson did not have to follow, he signed a PurchasePro internal confirmation letter backdated by Anderson to December 29, 2000. In that letter, Anderson admits that he lied to, concealed from, or

otherwise deceived PurchasePro's auditors when he stated that PurchasePro had not made any other unidentified or undisclosed oral agreements, written agreements or obligations to deliver future services to the Payment Solution Company that were related to the sale of the marketplace licenses. In addition, Anderson knew that PurchasePro's auditors, in connection with their year-end audit of PurchasePro's fiscal year 2000 financial statements, would not have recommended revenue recognition for at least \$1 million in revenue from the Payment Solution Company's purchase of the marketplace licenses unless PurchasePro could first get the Payment Solution Company to repay the \$1 million Payment Solution Company note. At that time, Anderson knew that his co-conspirators within PurchasePro and others had made financial commitments to an outside party in order to get that outside party to substitute for PurchasePro as the lender under the \$1 million Payment Solution Company note so that PurchasePro's auditors would approve of PurchasePro's revenue recognition from its marketplace license sales to the Payment Solution Company.

(23) In the case of the Motorcycle Company, Anderson admits that he knew that a senior officer at PurchasePro agreed to invest in the Motorcycle Company in exchange for the Motorcycle Company's agreement to purchase approximately \$1.1 million of PurchasePro marketplace licenses in the fourth quarter of 2000. Anderson learned that the Motorcycle Company had cash flow and other financial problems that would adversely impact its ability to pay for the \$1.1 million in licenses, that the Motorcycle Company needed additional investors to help it pay for the licenses and that the Motorcycle Company was unlikely to attract new investors without PurchasePro's investment in the Motorcycle Company.

(24) After PurchasePro had closed its fourth quarter of 2000 and during the first quarter of 2001 when PurchasePro's auditors were analyzing the sale of marketplace licenses to determine whether to approve the recognition of revenue, Anderson admits that he lied to and deceived PurchasePro's auditors about the existence of the secret side agreements described above by, among other things, falsely stating in a written statement signed by Anderson on or about February 12, 2001 that "there have been no side agreements (whether written or oral) related to the sales of software and other services by [PurchasePro] that are not contained in [PurchasePro's] standard contract . . . ."

(25) On or about February 12, 2001, PurchasePro announced in a press release to the public that PurchasePro reported revenue of approximately \$33.6 million for the fourth quarter ended December 31, 2000. Anderson admits that he knew at the time of this press release that a substantial amount of this revenue was earned from marketplace license and other product sales improperly recognized as revenue because the sales had been achieved as a result of side agreements that he and his co-conspirators had kept secret from PurchasePro's auditors and the investing public.

B. Media Company Received \$30 Million Worth of PurchasePro Warrants in the Fourth Quarter of 2000

(26) In or about the fourth quarter of 2000, PurchasePro threatened to (i) withhold payments that it owed to the Media Company under the IMA and TDA agreements and (ii) require the Media Company to restructure those agreements with PurchasePro. The Media Company subsequently agreed to purchase approximately \$10 million in PurchasePro

marketplace licenses and bulk subscriptions in the fourth quarter of 2000 and PurchasePro agreed to continue to make its IMA and TDA payments.

(27) In or about the fourth quarter of 2000, Anderson learned that PurchasePro's auditors called into question whether the Media Company could vest, i.e., earn about \$30 million worth of warrants from PurchasePro for purchases by the Media Company of PurchasePro products as opposed to earning the warrants based on third parties purchasing PurchasePro products due to referrals by the Media Company.

(28) In or about December 2000, Anderson admits that he discussed with a co-conspirator within PurchasePro the fact that, if PurchasePro agreed to falsely credit the Media Company with referrals for marketplace license sales in the fourth quarter of 2000, and thereby allow the Media Company to "earn" about \$30 million worth of warrants from PurchasePro, the Media Company would reward PurchasePro with revenue in future quarters.

(29) As a result, Anderson admits that he and certain of his co-conspirators within PurchasePro and the Media Company agreed to falsely credit the Media Company for referrals of third parties that had purchased PurchasePro marketplace licenses in the fourth quarter of 2000 so that there would then appear to be a basis pursuant to the amended Warrant Agreement for the Media Company to earn the approximate \$30 million in PurchasePro warrants. In fact, Anderson admits that he knew at the time that the Media Company generated only about one-half of the revenue that PurchasePro credited to the Media Company as revenue resulting from referrals by the Media Company to PurchasePro, and that the Media Company played no role in identifying for PurchasePro the third parties that produced at least one-half of the revenue for which the Media Company received referral credit.

(30) In this way, Anderson admits that he and certain of his co-conspirators within PurchasePro caused PurchasePro to improperly issue the Media Company warrants worth about \$30 million ostensibly earned pursuant to the amended Warrant Agreement when Anderson knew, in fact, the Media Company had only properly earned warrants worth substantially less than that amount.

(31) Anderson admits that, as a result of the above-described activities, he and other co-conspirators within PurchasePro caused a false representation to be made to the investing public in PurchasePro's Form 10-K for the fiscal year 2000, namely that the Media Company had referred about \$10.5 million in revenue to PurchasePro, when, in fact, Anderson admits that he knew at the time that the Media Company had referred less than half that amount of revenue to PurchasePro.

(32) Anderson admits that, at the direction of a senior officer of PurchasePro, Anderson was responsible for the creation of one or more false business records prepared at Anderson's direction by his subordinate that he knew would be used to falsely credit the Media Company with referral revenue that he knew the Media Company had not generated for PurchasePro in the fourth quarter of 2000. Specifically, Anderson admits that he and others within PurchasePro were responsible for creating business records of PurchasePro that falsely suggested that the Media Company should receive referral credit for approximately \$10.5 million in marketplace license sales when, in fact, as Anderson and certain of his co-conspirators knew, the Media Company had only referred customers in the fourth quarter of 2000 who had purchased marketplace licenses worth approximately half of the amount.

C. The First Quarter 2001 Joint Sales Campaign  
Between the Media Company and PurchasePro

(33) By early 2001, Anderson admits that he knew that PurchasePro had experienced significant difficulties in selling marketplace licenses to customers and that third parties were unlikely to buy a PurchasePro marketplace license based solely on the value of the marketplace license. Anderson admits that PurchasePro's difficulties in selling marketplace licenses in the first quarter of 2001 made it necessary for both PurchasePro and the Media Company to enter into side agreements in order to get customers to buy the licenses. As a result, Anderson admits that he knew that the only way PurchasePro could sell millions of dollars worth of marketplace licenses would be to enter into side agreements whereby the co-conspirators effectively funded the purchase of PurchasePro's products.

(34) In or about January 2001, Anderson and certain other co-conspirators within PurchasePro and the Media Company developed a joint sales and marketing effort by the Media Company and PurchasePro whereby the Media Company would help PurchasePro sell PurchasePro products to the Media Company's partners and suppliers. In addition, Anderson admits that the Media Company had an additional economic incentive to help sell PurchasePro marketplace licenses in the first quarter of 2001 because PurchasePro promised, among other things: (i) a 50% commission for each marketplace license that the Media Company sold on PurchasePro's behalf; and (ii) \$3.00 worth of PurchasePro warrants to the Media Company under the amended Warrant Agreement for each \$1.00 of recognizable revenue for PurchasePro in the first quarter of 2001.

(35) Anderson admits that by early March 2001 it became clear to Anderson and to other co-conspirators that the way the Media Company would be able to assist PurchasePro in selling marketplace licenses would be by effectively guaranteeing that the purchaser would get back their purchase price for the license. Anderson admits that he and other co-conspirators agreed that the Media Company would make side agreements with license purchasers or commit to “sweeteners” that included, among other things: (i) promises by the Media Company to buy more products from its suppliers or promises by the Media Company to buy its products from suppliers at a higher price or (ii) promises to reduce by a specified dollar value future payments the marketplace license purchasers already were contractually obligated to pay the Media Company. Alternatively, Anderson admits that he and other co-conspirators also discussed the fact that the Media Company was pressuring or “strong-arming” the Media Company’s partners and suppliers to buy the marketplace licenses with the threat that the Media Company would partner with or buy its supplies from other entities. Anderson admits that, in or about March 2001, Anderson discussed in detail this strategy to sell PurchasePro marketplace licenses by means of side agreements made by the Media Company with certain of his co-conspirators within PurchasePro and the Media Company.

(36) Anderson admits, in the first quarter of 2001, that he and certain of his co-conspirators within PurchasePro, after discussing the Media Company’s side agreements with purchasers of marketplace licenses, and after receiving instructions from a person at PurchasePro responsible for the company’s revenue reporting, agreed that the side agreements relating to the marketplace license purchases would be kept secret from and never disclosed to PurchasePro’s auditors.



(37) Anderson admits that he discussed the problems associated with selling marketplace licenses at length with his co-conspirators within PurchasePro and the Media Company, and others, throughout early 2001. Anderson admits that the co-conspirators agreed that for PurchasePro to continue to appear to the investing public as a viable and growing internet company PurchasePro would have to resort to the use of side agreements of the variety described herein.

(38) Anderson admits that, in effect, PurchasePro was “buying” its own revenue with such side agreements without disclosing that fact to PurchasePro’s auditors and its investors. Even when the Media Company was making the side agreements, Anderson admits that PurchasePro still was effectively buying its own revenue because of the tens of millions of dollars that PurchasePro paid the Media Company in 2000 and 2001.

D. Marketplace License Sales by PurchasePro in the First Quarter of 2001

(39) In or about March 2001, Anderson admits that he intentionally avoided inquiring with his co-conspirators within PurchasePro whether PurchasePro had induced an internet company based in the United States (“Internet Company”) to buy a marketplace license at approximately \$1.1 million in the first quarter of 2001 by promising to buy the Internet Company’s goods and services at the same time. Although he had reason to believe that one or more of his co-conspirators had negotiated a side agreement with the Internet Company, Anderson admits that, when told to do so by a co-conspirator within PurchasePro, an instruction which Anderson did not have to follow, he signed a PurchasePro internal confirmation letter backdated by Anderson to March 30, 2001. In that letter, Anderson lied to and otherwise

deceived PurchasePro's auditors when he stated that PurchasePro had not made any other unidentified or undisclosed oral agreements, written agreements or obligations to deliver future services to the Internet Company that were related to the sale of the marketplace license.

(40) Anderson admits that he knew that an internet company in the insurance business ("Insurance Internet Company"), was induced to buy a PurchasePro marketplace license for approximately \$100,000 by means of a secret side agreement. In 2000, the Insurance Internet Company and PurchasePro entered into a preferred supplier contract whereby the Insurance Internet Company would be recognized as a preferred supplier on PurchasePro's web-site based marketplace in exchange for payments by the Insurance Internet Company to PurchasePro. In late March 2001, Anderson admits that, after discussing the matter with one or more senior officers at PurchasePro, PurchasePro secretly converted the Insurance Internet Company's already existing contractual obligation to pay PurchasePro \$180,000 pursuant to the preferred supplier agreement into the price for a marketplace license. Anderson admits that, in effect, PurchasePro gave away the marketplace license to the Insurance Internet Company for \$180,000, the amount that the Insurance Internet Company already owed PurchasePro, so that the \$180,000 would falsely appear to be a new marketplace license sale. When told to do so by a co-conspirator within PurchasePro, an instruction which Anderson did not have to follow, Anderson signed a PurchasePro internal confirmation letter backdated by Anderson to March 30, 2001. In that letter, Anderson admits that he lied to and otherwise deceived PurchasePro's auditors when he stated that PurchasePro had not made any other unidentified or undisclosed oral agreements, written agreements or obligations to deliver future services to the Insurance Internet Company that were related to the sale of the marketplace license.

(41) Anderson admits that he knew that, in or about the last week of March 2001, Anderson and certain of his co-conspirators devised a scheme to fraudulently recognize approximately \$3.65 million in additional revenue for PurchasePro in the first quarter of 2001 by means of a fraudulent contract entitled Statement of Work. Pursuant to this fraudulent contract, the Media Company allegedly promised to pay PurchasePro approximately \$3.65 million for integration of auction functionality into the Media Company's internet marketplace for small businesses. Anderson admits that he knew that no work or virtually no work was done by PurchasePro for the Media Company in the first quarter of 2001 that would support the payment by the Media Company of approximately \$3.65 million to PurchasePro. Anderson admits that a co-conspirator at the Media Company informed Anderson in or around late March 2001 that the Statement of Work would be a means for the Media Company to help PurchasePro meet its revenue projections for the first quarter of 2001. Knowing that PurchasePro's recognition of any revenue associated with the \$3.65 million Statement of Work would be fraudulent, Anderson and other co-conspirators within PurchasePro caused the \$3.65 million associated with the Statement of Work to be improperly recorded as revenue for PurchasePro in the first quarter of 2001 and to be submitted to PurchasePro's auditors as revenue, without informing PurchasePro's auditors that no work or virtually no work had been performed under the contract.

E. PurchasePro's March 28, 2001 Press Release

(42) Anderson admits that one false representation caused to be transmitted by Anderson and certain of his co-conspirators was a press release that PurchasePro and the Media Company issued to the public by means of a wire communication on or about March 28, 2001

(the “March 28, 2001 Press Release”). The March 28, 2001 Press Release, which was transmitted simultaneously from PurchasePro’s offices in Las Vegas, Nevada, and from the Media Company’s offices in Dulles, Virginia, announced to the public the alleged success of PurchasePro’s and the Media Company’s joint sales and marketing effort in the first quarter of 2001. According to the press release, this joint sales and marketing effort resulted in the sale of ten (10) PurchasePro marketplace licenses to other well-known computer and internet companies.

(43) Anderson admits that all or substantial portions of the March 28, 2001 Press Release was materially false and misleading. Specifically, Anderson admits that the sale of many of the ten (10) PurchasePro marketplace licenses had been achieved only because PurchasePro and the Media Company simultaneously had made side agreements to the purchasers of the marketplace licenses to provide economic benefits to those purchasers that exceeded the cost of the marketplace licenses and thereby induced the purchasers of the marketplace licenses to buy the marketplace licenses.

F. Anderson’s Request to Destroy his E-mails

(44) In or about early April 2001, after consulting with and obtaining the assistance of a senior officer within PurchasePro, Anderson admits that he made a request to the information technology personnel at PurchasePro to delete all of the e-mails in his e-mail account at PurchasePro relating to the first week of April 2001. Anderson admits that he made this request in order to conceal his and his co-conspirators’ role in the improper inflation of PurchasePro revenue in the first quarter of 2001.

G. Corroboration of the Agreement Between PurchasePro and the Media Company to Swap Revenue

(45) In or about April 2001, as a result of a conversation between a senior officer at PurchasePro and a senior officer at the Media Company, Anderson more fully understood the overall arrangement between PurchasePro and the Media Company regarding the swapping of revenue between the two companies. Specifically, PurchasePro had promised to assist the Media Company with its revenue in the fourth quarter of 2000 by allowing the Media Company to “earn” the approximate \$30 million worth of warrants in exchange for a promise by the Media Company to assist PurchasePro in meeting its revenue objectives in future quarters. Anderson knew that neither PurchasePro nor the Media Company had informed PurchasePro investors that such a revenue swapping arrangement had been agreed to by the two companies. Anderson admits that such information about the revenue swapping agreement would have been material to investors’ decisions whether to invest in PurchasePro stock. Knowing these facts, Anderson undertook no action to inform the investing public of this agreement or correct a subsequent announcement by PurchasePro about its revenue which Anderson knew was false.

H. PurchasePro’s April 26, 2001 Earnings Announcement

(46) On or about April 26, 2001, PurchasePro issued a press release to the public that stated, among other things, that PurchasePro had earned revenue in the first quarter of 2001 in the amount of approximately \$29.8 million. Anderson admits that he and certain of his co-conspirators knew at the time that this April 26, 2001 PurchasePro press release was materially

false and misleading because Anderson and certain of his co-conspirators knew that a substantial portion of the \$29.8 million in announced revenue was improperly recorded as revenue by PurchasePro because it had been achieved, in large part, from sales of marketplace licenses which resulted from secret side agreements made with the purchasers by Anderson and certain of his co-conspirators.

## V. CONCLUSION

(47) Anderson admits that this statement of facts does not represent and is not intended to represent an exhaustive factual recitation of all the facts about which he has knowledge relating to the criminal conspiracy described herein.

(48) Anderson admits that his actions, as recounted herein, were in all respects intentional and deliberate, reflecting an intention to do something the law forbids, and were not in any way the product of any accident or mistake of law or fact.

(49) The foregoing statement of facts is a summary of the principal facts that constitute the legal elements of the offense of conspiracy to commit wire fraud. This summary does not include all of the evidence that the government would present at trial or all of the

relevant conduct that would be used to determine the defendant's sentence under the Sentencing Guidelines and Policy Statements.

Respectfully submitted,

PAUL J. MCNULTY  
UNITED STATES ATTORNEY

By: \_\_\_\_\_  
Claudius B. Modesti  
Assistant United States Attorney

By: \_\_\_\_\_  
Charles F. Connolly  
Assistant United States Attorney

By: \_\_\_\_\_  
Adam A. Reeves  
Trial Attorney, Criminal Division  
United States Department of Justice

Defendant's Stipulation and Signature

After consulting with my attorney and pursuant to the plea agreement I entered into this day with the United States, I hereby stipulate that the above statement of facts is true and accurate. I further stipulate that had the matter proceeded to trial, the United States would have proved the same beyond a reasonable doubt.

Date: \_\_\_\_\_

\_\_\_\_\_  
Jeffrey R. Anderson  
Defendant

Defense Counsel's Signature

I am the attorney for defendant Jeffrey R. Anderson. I have carefully reviewed the above statement of facts with him. To my knowledge, his decision to stipulate to these facts is an informed and voluntary one.

Date: \_\_\_\_\_

\_\_\_\_\_  
Lisa Kemler, Esq.  
Counsel to the Defendant

Date: \_\_\_\_\_

\_\_\_\_\_  
Samuel Rosenthal, Esq.  
Counsel to the Defendant