

APPENDIX A

On July 29, 2002, the Antitrust Division of the United States Department of Justice filed a civil suit alleging that the National Association of Police Equipment Distributors (“NAPED”) had engaged in certain practices that violated Section 1 of the Sherman Antitrust Act. Without being subject to any monetary penalties, NAPED has agreed to the entry of a civil consent order to settle this matter. The consent order does not constitute evidence or admission by any party with respect to any issue of fact or law. The consent order applies to NAPED and all of its officers, directors, employees, and agents, but not to any distributor or dealer acting on its own.

Under the consent order, NAPED may not enter into, adhere to, or enforce any agreement with any distributor or dealer to hinder through any means any manufacturer’s participation in the GSA Program. The GSA Program includes the General Services Administration’s (“GSA”) program pursuant to Section 1122 of the National Defense Authorization Act of 1994, which permits state and local governments to purchase police equipment products for drug interdiction under GSA schedules, and any other program under which state and local governments are able to purchase police equipment products through a GSA schedule.

The consent order further provides that NAPED may not enter into, adhere to, or enforce any agreement with any distributor or dealer to retaliate in any way against any manufacturer for participating or considering participating in or seeking information about the GSA Program. NAPED is also prohibited from recommending that any distributor or dealer: (1) suggest to any manufacturer that it discard Section 1122 purchase orders or commit any other misrepresentation to circumvent the requirements of the GSA Program; or (2) refrain from conducting business with any manufacturer for participating in, considering participating in, or seeking information regarding the GSA Program. Furthermore, NAPED is prohibited from recommending that any

distributor, dealer or manufacturer refuse to do business or reduce the amount of business it does with particular people or organizations, or types of people or organizations. Finally, NAPED is prohibited from recommending that any distributor, dealer, or manufacturer do business with particular people or organizations, or types of people or organizations, only on specified terms. Failure to comply with the consent order may result in conviction for contempt of court.

The consent order does not prohibit NAPED from continuing certain activities, including disseminating public statements regarding contemplated changes in the laws affecting the GSA Program, GSA policies, or procurement of police equipment by state and local governments; seeking to procure government action; and presenting members' views to distributors or dealers, manufacturers, consumers, or other interested parties in ways that do not otherwise violate the consent order.