

We announce today the first ever drug trafficking charges against a pharmaceutical company and two of its executives for unlawfully distributing prescription drugs that helped fueled the opioid epidemic.

Rochester Drug Cooperative – or “RDC” – is one of the nation’s largest drug distributors. From 2012 through 2017, it shipped tens of millions of highly-addictive oxycodone pills and fentanyl products to pharmacies that it knew were distributing narcotics illegally.

Earlier today, this Office filed a criminal information and civil action against RDC, charging it with unlawfully distributing oxycodone and fentanyl, defrauding the Drug Enforcement Administration, and failing to report suspicious orders to the DEA.

This Office has entered into a deferred prosecution agreement and consent decree with RDC, which has admitted to its misconduct.

RDC has agreed to pay a substantial penalty, be supervised by a monitor, and make significant reforms to its compliance program.

Also this morning, RDC’s former CEO, Laurence Doud, was arrested. He is charged with conspiring to distribute oxycodone and fentanyl and defrauding the DEA. As alleged, Doud led RDC during the entire period of the alleged conspiracy and

personally directed – and profited from – much of its criminal activity.

RDC's former chief of compliance, William Pietruszewski, pled guilty to those charges last Friday, and is cooperating with the Government.

As Doud himself was aware, this country is in the midst of a prescription drug abuse epidemic, as addiction, overdoses, and deaths associated with non-medical drug use have risen dramatically.

This epidemic has been driven by greed. As alleged, Doud cared more about profits than the laws intended to protect human life. Doud directed RDC to sell oxycodone and fentanyl to pharmacies that he knew were illegally dispensing them.

RDC's Controlled Substance Distribution

Let me say more about the charges.

The law requires pharmaceutical distributors like RDC to maintain effective controls to prevent the illicit distribution of controlled substances. Distributors also must report to the DEA suspicious orders from pharmacies.

But as alleged, under Larry Doud, RDC broke those laws. RDC routinely prioritized sales over compliance, and distributed tens

millions of oxycodone pills and other controlled substances to pharmacies that diverted drugs.

Many of RDC's pharmacy customers raised "red flags" of diversion—blatant signs that they were selling oxycodone and fentanyl illegally. Red flags such as dramatic increases in volume of pharmacies' controlled substance orders; pharmacy customers paying cash for their oxycodone and driving across state lines to fill prescriptions; and doctors who were under investigation by law enforcement and flagged on RDC's "watch list."

But the red flags did not slow RDC's distribution. At Doud's direction, the company's oxycodone and fentanyl distribution increased dramatically between 2012 and 2016.

As alleged, Doud directed RDC to supply pharmacy customers without doing any due diligence on them. He didn't care about their prescribing numbers, their customers, or the doctors they filled for. RDC was – in Doud's words – the "knight in shining armor" for pharmacies that had been cut off by other distributors.

How did they get away with this? By lying to the DEA. RDC had a program to identify potentially suspicious orders. At the direction of Doud, it falsely told the DEA that it would hold those orders and investigate them, and report confirmed suspicious orders to the DEA.

But that is not what it did. From 2012 until 2016, RDC flagged nearly 8,000 orders as potentially suspicious. It rarely held or investigated them. And, as alleged, RDC only reported *four* suspicious orders to the DEA.

RDC and Doud's Financial Motivation

Why did they do it? One reason: greed.

As you can see, between 2012 and 2016, RDC's opioid sales skyrocketed. In 2012, RDC sold 4.7 oxycodone pills. In 2016, those sales grew to 42.2 million pills. An increase of about 800%. The increase in RDC's fentanyl sales was even more dramatic. Jumping from about 63,000 dosages in 2012 to over 1.3 million by 2016. An increase of about 2,000%. Those sales, many of which were to pharmacies that Doud knew were illegally dispensing them, generated about 8,300 flagged orders in RDC's internal system. So how was this scheme able to continue? Because RDC hid these orders from the DEA. During this time period, RDC only reported 4 suspicious orders to the DEA.

So that's how they did it. Why did they do it? Greed. Over the period of the conspiracy charged in the indictment, RDC made over \$1.2 billion in controlled substances sales. Doud's personal compensation was tied to this increase in opioid sales.

From 2012 to 2016, his compensation more than doubled, growing to over \$1.5 million in 2016. An increase of 127%.

Thank Yous

Cases of this type and significance require close collaboration and coordination with our law enforcement partners. And their representatives are standing up here with me.

I am joined today by our partner in this and so many other important narcotics cases, the DEA, led by Ray Donovan, the Special Agent in Charge of the New York Field Office. This is a first-of-its-kinds prosecution for the DEA, and I want to thank Ray and his team for their great work and assistance in this investigation.

This investigation was launched by the Civil Division of our Office, which has taken a leadership role in enforcing pharmaceutical companies' compliance with the Controlled Substance Act. The Civil Division was instrumental in securing the financial penalties and compliance reforms to which RDC has agreed. I want to acknowledge Jeffrey Powell and Jake Bergman, who are the Assistant U.S. Attorneys handling the civil case and settlement with RDC.

I also want to acknowledge and thank the prosecutors handling the criminal cases against RDC and its executives: Nick Roos, Tony Pellegrino, Stephanie Lake, Alexie Rothman, and their

supervisors, Shawn Crowley and George Turner, the Chiefs of the Office's Narcotics Unit.

Conclusion

This prosecution is the first of its kind. It is the first time executives of a pharmaceutical distributor and the distributor itself have been charged with drug trafficking.

Our Office will do everything in its power to bring to justice anyone responsible for unlawfully fueling this opioid epidemic. And that includes executives who illegally distribute drugs from their boardrooms.

Now I would like to invite to the podium Ray Donovan.