



For Immediate Release: April 23, 2019

**Rochester Drug Co-Operative Settles Civil and Criminal Investigations
*Agrees to Pay \$20m Fine, Enters Deferred Prosecution Agreement***

(Rochester, NY) -- Rochester Drug Co-operative (RDC) today announced it has reached civil and criminal settlement agreements with the U.S. Attorney's Office for the Southern District of New York (SDNY) for failing to properly identify and report suspicious opioid drug orders from pharmacies and failing to comply with the Controlled Substances Act from 2012 to 2017. RDC agreed to a deferred criminal prosecution agreement, admitted to a detailed statement of facts, and consented to three years of independent compliance monitoring by an expert who will report regularly to the U.S. Drug Enforcement Administration. RDC will pay a \$20 million fine to the federal government over a five-year period. If RDC complies with the terms of the agreement, SDNY agrees that RDC will not be prosecuted for its conduct during the relevant period.

"We made mistakes," said Jeff Eller, spokesperson for RDC, "...and RDC understands that these mistakes, directed by former management, have serious consequences." Noting that the vast majority of RDC customers are small, independent pharmacies which dispense controlled substances, including narcotics and other opioids, only for legitimate medical purposes, he added that, with regard to pharmacies that received excessive amounts of opioids from RDC and should not have, "we accept responsibility for those mistakes. We can do better, we are doing better, and we will do better."

"Not only do we pledge to honor the letter and spirit of these agreements, we are also putting into place a world-class compliance program."

"One element of the opioid epidemic is a dramatic increase in the volume of prescriptions for opioids and all narcotics," he said. "With that dramatic volume increase came an increase in our business, resulting in an increase in orders we should have identified as suspicious order, which we failed to report to DEA." The Drug Enforcement Administration (DEA) requires distributors to monitor orders to pharmacies for suspicious activity and to report those orders.

"Rochester Drug Co-operative (RDC) did not anticipate, nor were we prepared for, this dramatic increase in opioid prescription volume. The entire industry has been affected," Eller said. Although pharmaceutical distributors like RDC are two steps removed from the prescribing activity that led to the misuse of opioids for illegitimate purposes, he said, "from 2012 to 2017, we did not have adequate systems in place nor were our compliance team and practices rigorous enough to provide adequate controls and oversight over the increased demand for narcotic drug products from pharmacies."

In April 2017, a new management team began making significant changes with a focus on implementing a world-class compliance program. Significantly, RDC's compliance budget increased from an average of about \$150,000 in fiscal years 2013 through 2016 to an estimated \$1.7 million in the current fiscal year. In addition, in 2018, [RDC appointed a new Chief Compliance Officer \(CCO\)](#) and Assistant Compliance Director, both ex-DEA diversion investigators with years of experience working on compliance with the Controlled Substances Act and DEA regulations. The CCO reports directly to the CEO and RDC's Board of Directors.

RDC will retain its DEA registration and authority to distribute controlled substances, pursuant to the agreements.

On April 16, 2019, Joe Brennan resigned as CEO. The RDC Board accepted his resignation. John Kinney, RDC's Chief Financial Officer, is acting CEO of the company.

About RDC

Since 1905, RDC has been a Rochester-based company, filling orders for 1,300 northeastern local community retail pharmacies, long-term care pharmacies, and home health care stores. The company stocks a complete inventory of pharmaceuticals, health, beauty, and home health care products.

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