



Department of Justice

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FOR IMMEDIATE RELEASE

09/20/06

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HI-TECH PHARMACEUTICALS & 11 INDIVIDUALS INDICTED FOR “GENERIC” PILL FRAUD SCHEME

Defendants Allegedly Sold Millions Of Pills Over The Internet

ATLANTA, GA - Eleven individuals and an Atlanta-based company have been indicted by a federal grand jury on multiple felony charges relating to a scheme to sell adulterated and unapproved new drugs over the internet. Four of the defendants are scheduled to appear at a bond hearing before United States Magistrate Linda Walker at 1:45 p.m. today.

In a news conference, United States Attorney David E. Nahmias said, “The indictment’s allegations are disturbing because customers thought they were getting legitimate and safe prescription drugs over the internet from Canada at cheaper prices, when in reality they received adulterated fakes that were crudely made in an unsanitary house in Belize.”

DEA Special Agent In Charge Sherri Strange said, “One of the fastest growing drug abuse concerns is prescription drugs. The selling and purchasing of drugs have been facilitated by the wide use of the internet, the anonymity it provides, and the ease and relative secrecy of the mail and private delivery companies. A recent search engine query for ‘prescription drugs for sale online’ resulted in over 10 million hits. President Bush, Attorney General Gonzales, and DEA Administrator Tandy have made prescription drug abuse a priority for DEA. As our children sit down at the family computer to do their schoolwork, research projects, and converse with friends, criminal organizations like the one alleged today slither into their lives. Every one of us has received spam e-mails directing us to visit websites to order supposed generic prescription drugs and controlled substances. Buyers beware. I am proud that DEA works closely with the FDA, other federal agencies, and foreign counterparts to thwart such criminal organizations.”

FDA Office of Criminal Investigations Special Agent In Charge David Bourne said, “The FDA’s Office of Criminal Investigations actively pursues those who deceive the public by manufacturing and selling unapproved and unregulated medications which may pose risks to the health of consumers. We are committed to investigating and preventing those who use

trickery and deceit to illegally and unscrupulously sell medications over the internet at the expense of the public health."

The defendants named in the indictment are: JARED ROBERT WHEAT, 34, of Alpharetta, Georgia; DAVID DALTON JOHNSON, 37, of Pinehurst, North Carolina; DAVID ALAN BRADY, 40, of Pinehurst, North Carolina; STEPHEN DOUGLAS SMITH, 38, of Duluth, Georgia; THOMAS HOLDA, 43, of Duluth, Georgia; SERGIO RONALDO OLIVEIRA, 46, of Hoschton, Georgia; BRAD NEAL WATKINS, 38, of Birmingham, Alabama; DAVID WATKINS, 40, of Norcross, Georgia; STEVEN BLINDER, 42, of Aberdeen, South Dakota; MICHELLE YOUNG, 38, a citizen of Belize; and, GUILLERMO PECH, 28, also a citizen of Belize; and HI-TECH PHARMACEUTICALS, a company based in Norcross, Georgia.

All of the defendants are charged with two different conspiracies: (1) conspiring to import controlled substances into the United States; and (2) conspiring to violate the wire and mail fraud statute and to introduce into interstate commerce adulterated and misbranded prescription drugs. The indictment charges each of the defendants, except DAVID WATKINS, BRAD WATKINS and STEVEN BLINDER, with different substantive violations including mail fraud, distribution of controlled substances and introducing adulterated and misbranded new drugs. The indictment also charges the lead defendant, JARED WHEAT, with engaging in a continuing criminal enterprise. The indictment seeks to forfeit numerous properties, automobiles and bank accounts, and seeks a money judgment of not less than \$19.8 million.

According to United States Attorney Nahmias, the indictment, search warrants and other information presented in court: WHEAT, the principal owner of Hi-Tech Pharmaceuticals, and the other defendants opened a drug manufacturing facility in Belize in approximately 2002. The defendants allegedly used Hi-Tech funds and JARED WHEAT's own funds to cover the costs of operating the Hi-Tech facility in Belize and would travel to Belize to manufacture various prescription and controlled substances. The defendants allegedly made approximately 24 different drugs that they marketed through so-called "spam" advertisements over the internet as authentic generic versions of those drugs being imported from Canada. The drugs included steroids such as "Oxymethelone" and "Stanazolol," along with unapproved versions of controlled drugs such as "Ambien," "Valium," and "Xanax." The defendants also manufactured versions of prescription drugs such as "Viagra," "Cialis," "Lipitor" and "Vioxx." From 2002 through 2004, the defendants allegedly ordered enough active ingredients to manufacture millions of pills, many of which were then shipped into the United States to individuals who purchased the drugs after receiving internet "spam" and also to various wholesalers of drugs.

Members of the public are reminded that the indictment only contains charges. The defendants are presumed innocent of the charges and it will be the government's burden to prove each defendant's guilt beyond a reasonable doubt at trial.

The U.S. Attorney's Office in Atlanta recommends parents and children learn about the dangers of drugs at the following web site: www.justthinktwice.com.

This case is being investigated by Special Agents of the DEA and the Food and Drug Administration, Office of Criminal Investigations, with the Henry County Police Department. Valuable assistance has been provided by the Bureau of Alcohol, Tobacco and Firearms (ATF), the Customs and Border Protection Foreign Mail Facility in Miami, the Postal Inspection Service, Doraville Police Department, Roswell Police Department, City of Atlanta Police Department, Spalding County Sheriff's Office, Cobb County Sheriff's Office, Clarkston Police Department, East Point Police Department and the Duluth Police Department.

Assistant United States Attorneys Aaron M. Danzig, Randy S. Chartash and J. Russell Phillips are prosecuting the case.

For further information please contact David E. Nahmias (pronounced NAH-me-us), United States Attorney, or Charysse L. Alexander, Executive Assistant United States Attorney, through Patrick Crosby, Public Affairs Officer, U.S. Attorney's Office, at (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney's Office for the Northern District of Georgia is www.usdoj.gov/usao/gan.