Image Not Available

NEWS RELEASE

For Immediate Distribution

September 8, 2000

Alejandro N. Mayorkas
United States Attorney
Central District of California

Thom Mrozek, Public Affairs Officer
(213) 894-6947
thom.mrozek@usdoj.gov
www.usdoj.gov/usao/cac

THREE ACCUSED OF DEFRAUDING MAJOR DRUG COMPANIES; MEMBERS OF RING SET TO BE ARRAIGNED MONDAY IN FEDERAL COURT

Three people have been named in a 22-count indictment that outlines a scheme in which a sophisticated ring obtained pharmaceutical products at greatly reduced prices and then resold these products for profit, United States Attorney Alejandro N. Mayorkas announced today.

Masquerading throughout the Southwest as distributors who sold drugs to entities entitled to discounted prices, members of the ring instead sold the products at a tremendous profit to other distributors who sold to regular retail outlets.

Those charged by a federal grand jury in Los Angeles are:

- Martin Paul Rubin, 49, of Las Vegas, who is charged with six counts of wire fraud, 11 counts of mail fraud, four counts of money laundering, and conspiracy to commit bankruptcy fraud.
- Barry Balter, 60, of Eau Claire, Wisconsin, who is charged with six counts of mail fraud.
- Lee Evans Lukson, 63, of Phoenix, who is also charged with six counts of mail fraud.

Rubin and Lukson are scheduled to be arraigned on the indictment Monday at 9:00 a.m. in Courtroom 1439 of the Roybal Federal Building, 255 East Temple in downtown Los Angeles. Balter is scheduled to be arraigned on September 18.

The indictment returned by the grand jury in August describes a scheme which began in August 1992 and continued until April 1997. During that time, the defendants allegedly used fraudulent means to obtain pharmaceutical products at greatly reduced prices, and then to resell these products at a huge profit in markets they were not allowed to sell to.

As part of this scheme, Rubin was instrumental in the creation of pharmaceutical distribution companies in California, New Mexico, and Arizona. Through these distribution companies, the defendants obtained reduced-price pharmaceuticals from manufacturers such as Abbott Laboratories and Bristol-Myers Squibb by telling the manufacturers that the drugs would be sold to institutions that qualified for the lower prices. It is a general practice in the pharmaceutical industry to office lower prices to institutions such as nursing homes, oncology centers and AIDS clinics.

The indictment alleges that the defendants resold these lower-cost products for a profit to distributors who would then sell the drugs in the retail market.

The indictment also alleges that Rubin has two prior convictions relating to frauds committed on pharmaceutical companies.

Rubin is also charged with participating in conspiracy to commit bankruptcy fraud. After incurring a multi-million dollar debt at one of the pharmaceutical companies set up as part of the pharmaceutical fraud scheme, Rubin and his co-conspirators decided to take their company, Armco Medical Supply, Inc. of Newbury Park and Agoura Hills (California), into bankruptcy rather than repay the debt. While telling pharmaceutical companies that they did not intend to file bankruptcy, Rubin and his co-conspirators allegedly ran up Armco's debt by purchasing more pharmaceuticals, which they did not fully pay for. Prior to filing for bankruptcy, according to the indictment, pharmaceuticals were transferred from Armco to a related company, at cost or at a loss to Armco. In addition, the indictment alleges that assets such as file cabinets, computer equipment, and a copy machine were transferred from Armco to a related company prior to the bankruptcy filing. These transferred assets were not reported in Armco's bankruptcy filing.

An indictment contains allegations that a defendant has committed a crime. A defendant is presumed innocent until and unless proven guilty.

If he is convicted of all counts in the indictment, Rubin faces a maximum possible penalty of 150 years in federal prison and fines of up to $6 million. Balter and Lukson face up to 30 years in prison if they are convicted on all counts.

This case was investigated by the U.S. Food and Drug Administration's Office of Criminal Investigations and the Internal Revenue Service's Criminal Investigation Division. It will be jointly prosecuted by the U.S. Attorney's Office for the Central District of California and the Office of Consumer Litigation of the U.S. Department of Justice.

CONTACT: Assistant United States Attorney Randall Lee
(213) 894-0402

Release No. 00-161